

ABOUT NLMK

SUSTAINABILITY

CORPORATE
GOVERNANCE

Report 2015

**EFFICIENCY
LEADERSHIP**



CONTENT

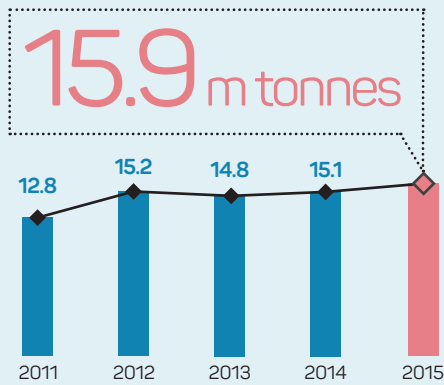
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2015 HIGHLIGHTS

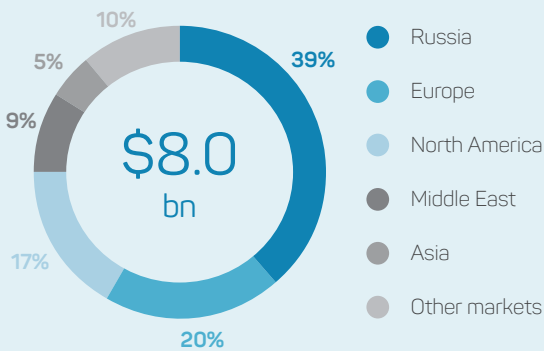
Record high sales: **15.9 m t (+5% y-o-y)**
 Largest steel manufacturer in Russia with a share of **22%**
 Revenue: **\$8 bn (-23% y-o-y)**
 EBITDA*: **\$1.9 bn (-18% y-o-y)**
 EBITDA margin: **24% (+1 p.p. y-o-y)**
 Net cash flow: **\$1 bn**
 Net Debt: **\$1.1 bn (-32% y-o-y)**
 Net debt/EBITDA: **0.6x (-0.1 y-o-y)**



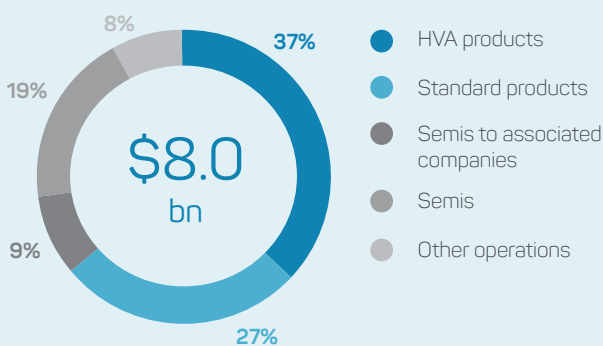
NLMK GROUP SALES



REVENUE BY REGION



REVENUE BY PRODUCT



* EBITDA is calculated as operating profit adjusted to loss from impairment of investments, fixed assets and intangible assets (including goodwill) and depreciation and amortization.



Utilization of production capacities:

93%

Our flexible business model, diversified product mix and sales geography enable us to maintain high capacity utilization rates



EBITDA margin:

24%

(+1 p.p. y-o-y)

Structural increase of business efficiency, low-cost steel production and vertical integration allowed NLMK to achieve growth of EBITDA margin despite a more challenging situation in the industry



Net Debt/EBITDA:

0.6x

(-0.1 p. y-o-y)

The ratio is below the target envisioned in Strategy 2017. NLMK Group is consistently financially stable due to low debt leverage. The Company's financial security is based on high liquidity and its ability to operate without raising considerable banking loans



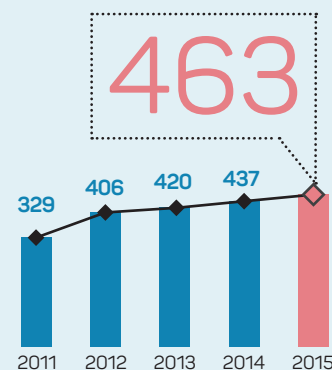
\$197 million

Operational efficiency gains outstripped target by 100%

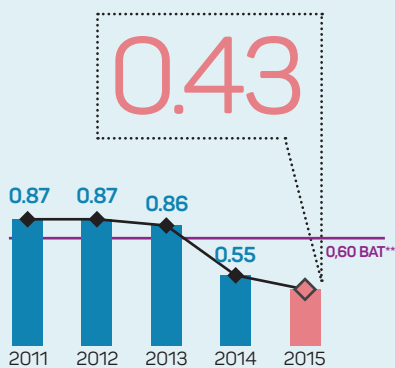
Total savings between 2014 and 2015 amounted to \$364 million. The number of initiatives increased from 29 in 2013 to 1,817 in 2015

Sustainability performance

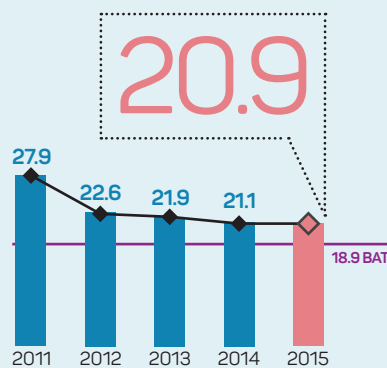
**LABOUR PRODUCTIVITY
(TONNES OF STEEL/PERSON)**



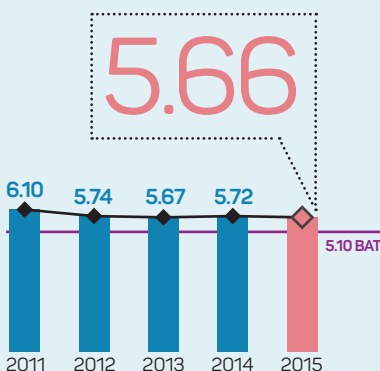
LTIFR (NLMK'S RUSSIAN ASSETS)*



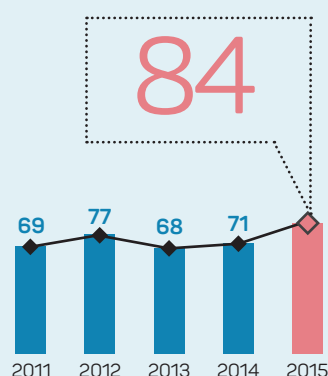
**SPECIFIC AIR EMISSIONS
(KG/TONNE OF STEEL)**



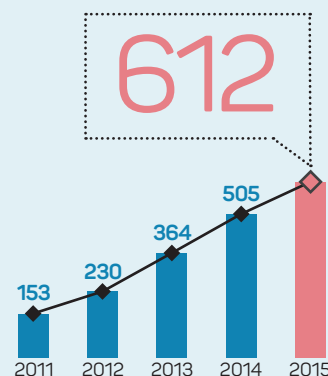
**SPECIFIC ENERGY INTENSITY
(LIPETSK SITE, GCAL/T)**



**SHARE OF EMPLOYEES
WHO RECEIVED PROFESSIONAL
TRAINING (%)**



**ENVIRONMENTAL INVESTMENTS
(CUMULATIVE \$ M)**



* Lost-time injury frequency rates. For more information refer to 'Social Responsibility' of NLMK report.

** Hereinafter BAT (best available technologies) refers to the level of best available technologies for integrated steelmakers.

KEY EVENTS OF 2015



CAPITAL MARKETS DAY 2015

NLMK top managers provided the Strategy 2017 status update along with the changes in the Capex budget.



CHANGES IN THE DIVIDEND POLICY

The Company updated its dividend policy in 2015 to ensure higher visibility of dividend payments. From 2015 dividends are paid on a quarterly basis subject to meeting the targets on net profit and free cash flow.



ENHANCEMENT OF INDEPENDENT DIRECTORS' ROLES IN THE COMPANY'S BODIES

The number of independent directors on the NLMK's Board increased in 2015. Independent Board members now chair the Audit Committee and the HR and Remuneration Committee.



ACTIVE STAGE IN CONSTRUCTION OF THE PELLETIZING PLANT

In 2015, construction of the pelletizing plant at Stoilensky entered an active stage. This is a key investment project in Strategy 2017. The Company expects to launch the plant in the second half of 2016. The capacity of the pelletizing plant is 6 million tonnes of pellets per year; at the current iron ore prices the annual impact will be \$180 million.

CEO STATEMENT



Dear Colleagues,

In 2015 NLMK demonstrated strong performance driven by an ongoing increase in operational efficiency, and in spite of a significant slow-down of the market for steel.

SITUATION IN THE INDUSTRY

The market is oversupplied as a result of unprecedented growth in production which has been further aggravated by the global economic downturn. Excess global steelmaking capacity was ten times the total volume of steel produced in Russia. China made almost as much steel in 2015 as all other countries combined, and accounted for the lion's share of this increased production capacity. More than 100 million metric tons a year of cheap Chinese steel exports led to a collapse in prices, sending them crashing to a twelve-year low.

The international trading environment became more complicated as a result. The US and the EU have begun to impose protective import tariffs in a bid to support their steelmakers. Around 20 investigations have been launched into steel companies from various countries, including Russia, since the beginning of 2015. The US re-introduced protective tariffs on hot-rolled steel from

Russia. Europe launched an investigation into cold-rolled steel imports and introduced minimum prices for electrical steel, which has impacted upon NLMK Group products. Russian companies were forced to address challenges in international markets, while domestic demand showed a double-digit decline. For example, demand for steel products used in construction fell by 14% in the first nine months of 2015. The slowdown in Russian demand in 2015 was worse than in any other country, and will continue in 2016 in almost all sectors of the Russian economy.

NLMK PERFORMANCE

Despite this extremely challenging environment, NLMK Group has managed to not only complete all the projects envisioned by Strategy 2017 whilst maintaining almost 100% utilization; but also to increase sales by 5% to a record 15.9 million tonnes and achieve greater profitability at the same time. Our profit margin in 2015 displayed 24% growth to reach twice the global industry average. Our strong operational performance and conservative investments have allowed the company to maintain free cash flow of \$1 billion, which is almost flat year-on-year, despite a 30% reduction of the global steel prices. Our operating results

have strengthened the company's financial stability with net debt/EBITDA of 0.6x at the end of 2015, which is four times below the average for metals companies.

DIVIDENDS

NLMK's financial flexibility was bolstered by the structural increase of business profitability and the completion of the capital-intensive investment phase of the company's development. In the last year we updated the Company's dividend policy in order to provide maximum transparency to shareholders and stakeholders on our corporate strategy for distribution and allocation of NLMK's net profit. We began paying dividends on a quarterly basis and changed the basis for the calculation of dividends to include free cash flow on top of net profit.

Based on the results of the first three quarters of 2015 and in accordance with the updated dividend policy we have already paid over \$400 million to our shareholders, which is equivalent to a dividend yield of 5.5%.

CONCLUSION

I would like to extend my gratitude to our employees for their commitment; to the management for their astute direction during this difficult time; and to our shareholders for their belief in the sustainability of our business model.

FORECAST

The year ahead will be extremely challenging for the company and the metals industry as a whole. The gap between demand and supply in the steel market will remain, and the equitable conditions of international trade will grow more complicated still. These factors are exacerbated by the absence of fundamental drivers of the sustainable increase in the price of raw materials and finished products.

The key success factors in this challenging environment will include the flexibility and versatility of the business model, operational efficiency and financial stability. These facets are the competitive advantages that NLMK Group enjoys, which enables us to look to the future with confidence.

Oleg Bagrin
President of NLMK Group,
Chairman of the Management Board

NLMK PROFILE

NLMK Group is the largest steelmaker in Russia and one of the most efficient in the world. NLMK is the only Russian company that is part of TOP 20 leading global steelmakers.

NLMK's production assets are located in Russia, Europe, and the United States. The Company's liquid steel production capacity is over 17 million tonnes per year, of which about 16 million tonnes are produced in Russia. NLMK has modern production capacities that are on par with leading international manufacturers in terms of technology.

NLMK's metal products are used in various industries, from construction and engineering to the manufacture of power-generating equipment and offshore wind turbines. NLMK has the most competitive cash cost among global manufacturers; and one of the highest profitability levels in the sector.

The company generated \$8 billion in revenue; \$1.95 billion in EBITDA; and a net profit of \$967 million in 2015. Net Debt/EBITDA is 0.6x. The company has a BBB- credit rating.

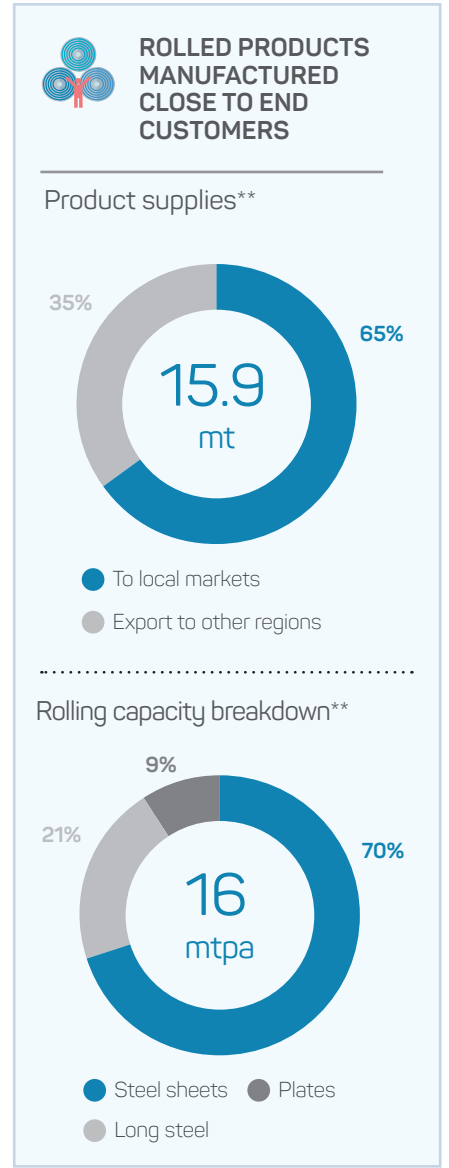
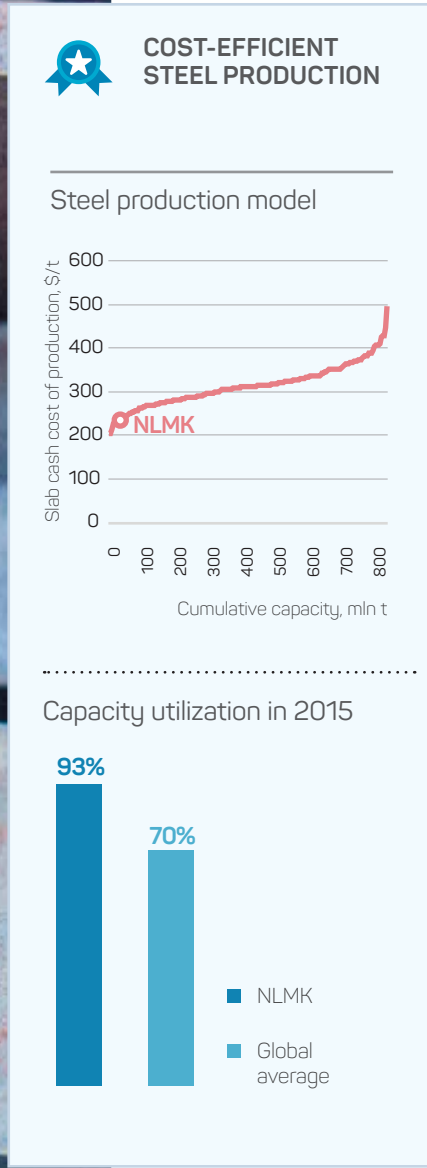
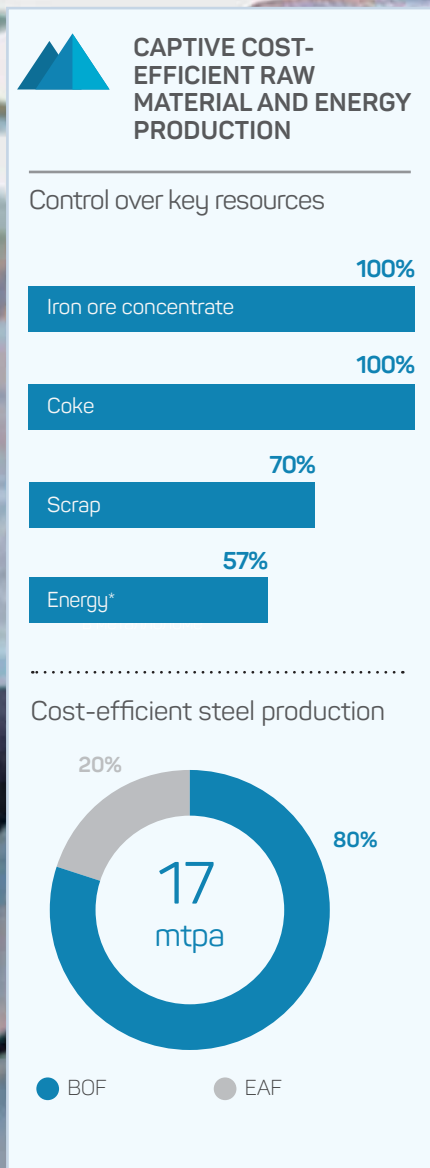
NLMK's ordinary shares are traded on the Moscow Stock Exchange (ticker symbol: NLMK), and its global depository shares are traded on the London Stock Exchange (ticker symbol: NLMK:LI).

22%

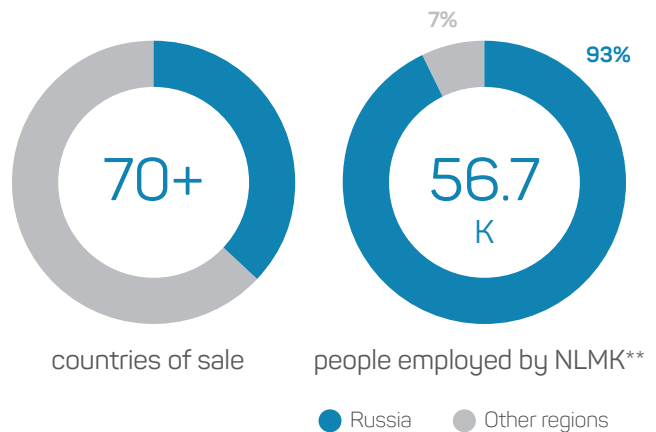
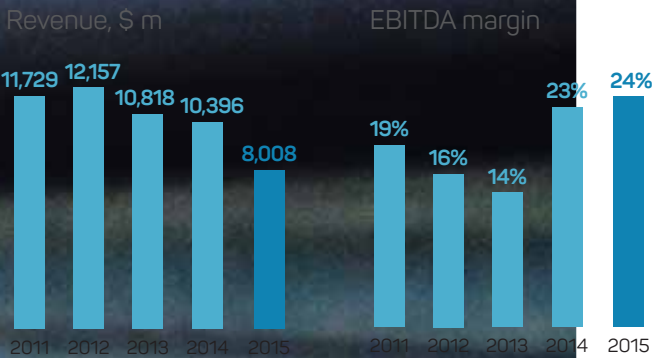
Share in Russian steel
production



WIDELY DIVERSIFIED VERTICALLY INTEGRATED BUSINESS MODEL



Key highlights







* At the Lipetsk site.
 ** Including NBH performance.

WHERE WE OPERATE

NLMK Group has assets on three continents. We sell our high-quality products to buyers in more than 70 countries worldwide.



Legend

-  Raw materials producing assets
-  BF/BOF steelmaking
-  EAF mini-mill
-  Rolling assets




NLMK Divisions

NLMK Russia





NLMK RUSSIA FLAT PRODUCTS

-  Novolipetsk
-  VIZ-Steel







NLMK RUSSIA LONG PRODUCTS

-  NSMMZ
-  NLMK Metalware
-  NLMK Kaluga




NLMK RUSSIA RAW MATERIAL PRODUCTION

-  Stagdok
-  Altai-Koks
-  Stoilensky
-  Dolomit

NLMK EU



-  NLMK DanSteel
-  NLMK Coating
-  NLMK La Louviere
-  NLMK Strasburg
-  NLMK Clabecq
-  NLMK Verona

NLMK USA

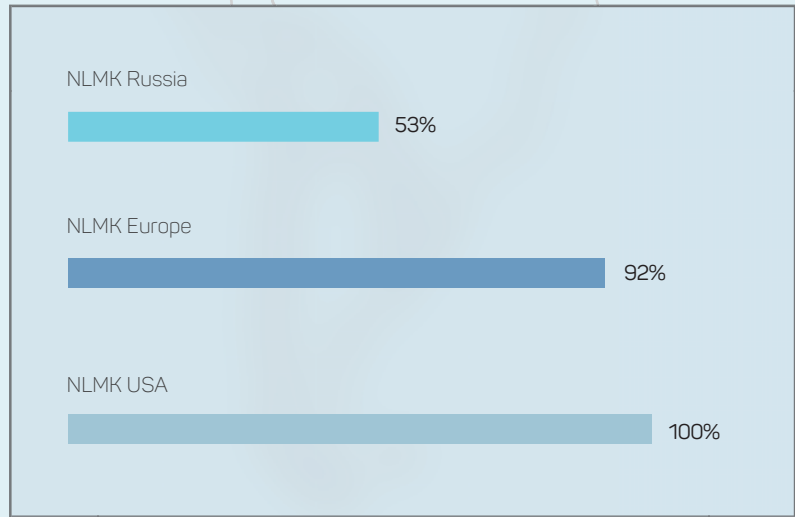
-  Sharon Coating
-  NLMK Indiana
-  NLMK Pennsylvania

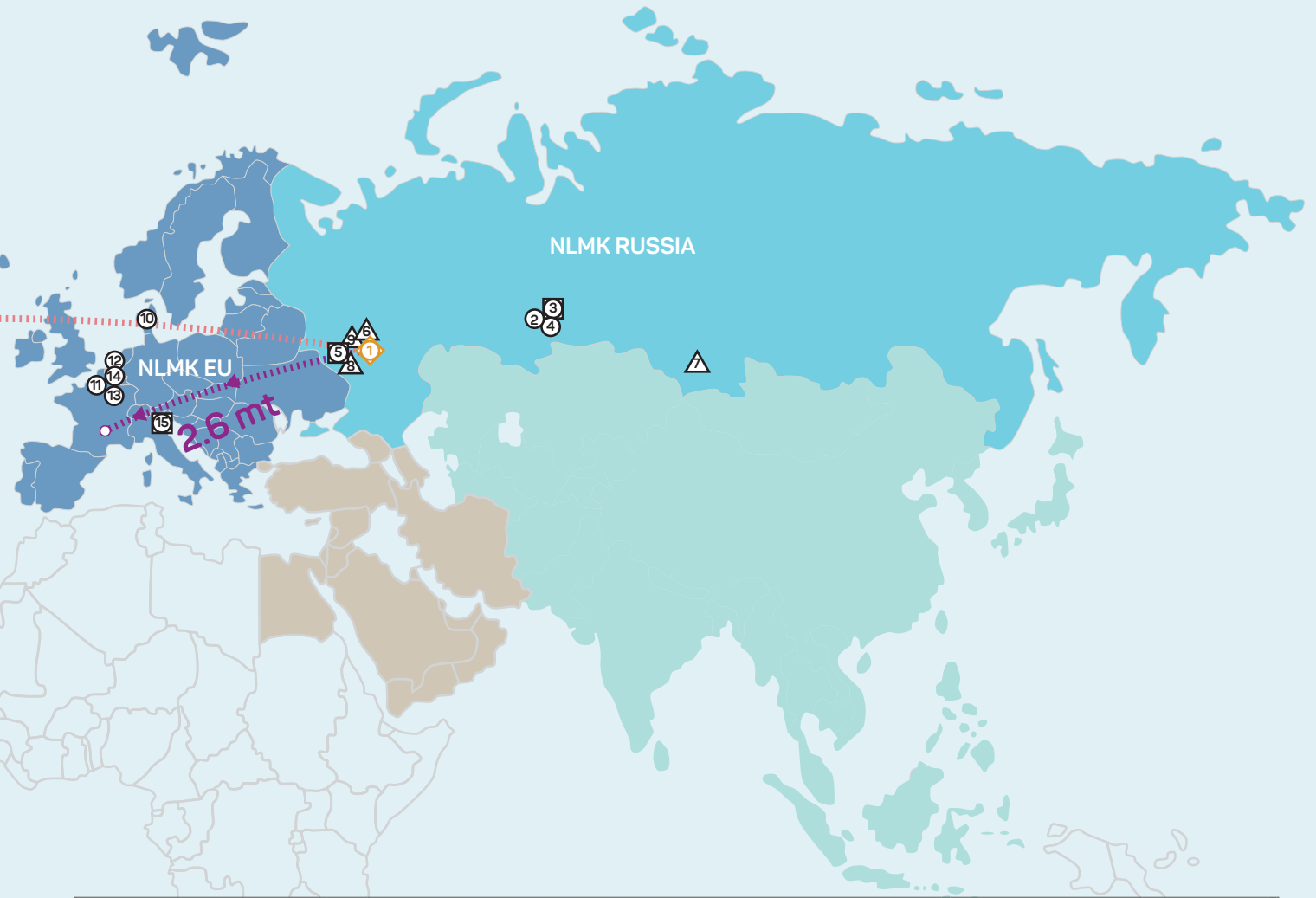


Intragroup supply of slabs

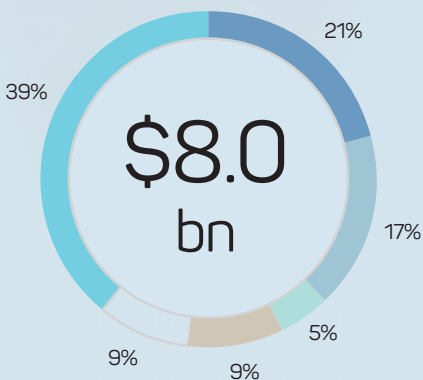
-  Novolipetsk to NLMK USA
-  Novolipetsk to NLMK Europe

"Domestic" sales of finished steel

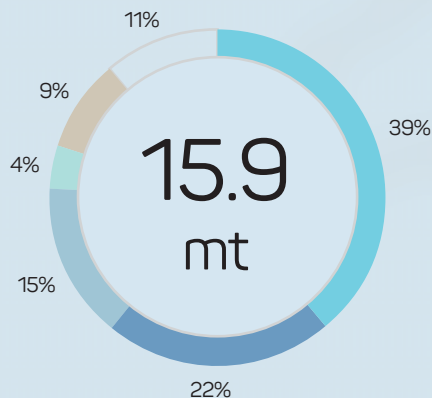




Revenue by region in 2015



Steel product sales by region in 2015



- Russia
- EU
- North America
- Central and SE Asia
- Middle East
- Other markets

PRODUCTS AND BRANDS

NLMK makes a wide range of steels, from semi-finished (slabs and billets) to high-end, high value added products (electrical steels). Our balanced product mix comprises 20% of long products and 80% of flat products.

Long products for construction purposes are produced by NLMK Group's Russian companies and sold all across Russia. Our wide mix of flat products includes hot-rolled steel, cold-rolled steel, galvanized steel and pre-painted steel. NLMK is also a global leader in electrical steel and a regional leader in thick plates used in machine building. The company's balanced product mix encompasses standard and high value added products, including high-end steels.

NLMK PRODUCTS IN RUSSIA

NLMK is a leading provider of high-quality steel products in key sales markets. Our range of high value added products includes cold-rolled steel, pre-painted steel, electrical steel (transformer and dynamo) and a wide range of long products for the construction sector, including metalware. Our Russian plants offer a wide range of slabs, a large portion of which is processed into finished products at our rolling mills in Europe and the USA. NLMK is one of the largest suppliers of semi-finished rolled products (slabs) for large-diameter pipes in the domestic market.

We sell up to 100% of our high value added products locally, that is, in the markets where they were produced.

NLMK PRODUCTS IN EUROPE

Our European plants produce a wide range of plates; most of them are made from Novolipetsk slabs. We make both commercial steel for machine building, pipe manufacturing and shipbuilding, and high-end thick plates used in wind power

engineering and supporting structures for corrosive and high-pressure environments. NLMK Clabecq also produces unique abrasion-resistant (Quard) and high-strength (Quend) plates for heavy equipment manufacturing, machine building and other industries.

NLMK PRODUCTS IN THE USA

NLMK Group's US companies focus on flat products made from semi-finished steel sourced from the Group's plants in Russia: hot-rolled steel, cold-rolled steel, galvanized steel and others.

NLMK PRODUCTS WORLDWIDE

- **Transformer steel:** NLMK is one of the world's major suppliers of transformer steel, accounting for 11% of the global market. Electrical steels are supplied to manufacturers of power-driven machines, transformers and instruments.
- **Semi-finished products (slabs):** NLMK is the leading supplier to the global slab market, with a market share of nearly 15% (net of intragroup sales). The company's products are in high demand thanks to their high quality, competitive prices and convenient logistics.

QUALITY OF NLMK PRODUCTS

Tailored to meet customers' needs, NLMK products have been certified as compliant with international quality standards. For a complete list of products, please visit our website at <http://nlmk.ru/our-business/products-and-innovations/products/>. We are actively working with our customers and R&D centres to expand our range and enhance product quality.



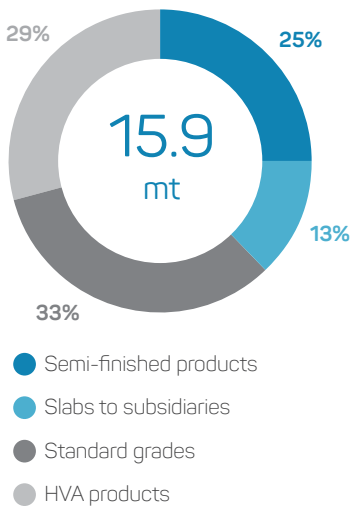
NLMK's finished products

NLMK PRODUCTS AND USES

- **Construction:** supporting structures and facing materials, reinforced concrete structures, fences and other profiled sheet structures, roof tiles, air conditioning systems, etc.
- **Infrastructure projects:** guard rails, bridges, light poles, railway infrastructure, etc.
- **Automotive manufacturing:** body panels, power and other components for cars and commercial vehicles.
- **Pipes:** pipelines, large-diameter pipes for the oil and gas industry, water and gas pipes.

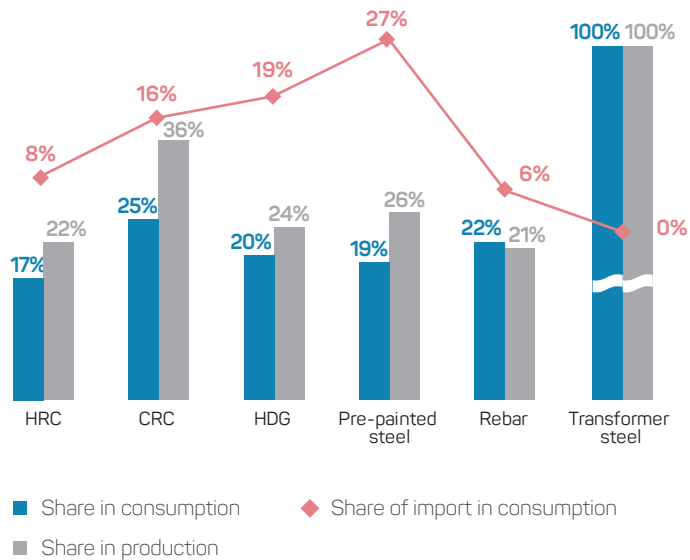


NLMK product mix in 2015



▪ Machine building: mining equipment, agricultural and construction (yellow) machinery, lifting and transport equipment, railway engineering, shipbuilding, wind power engineering, offshore drilling platforms.

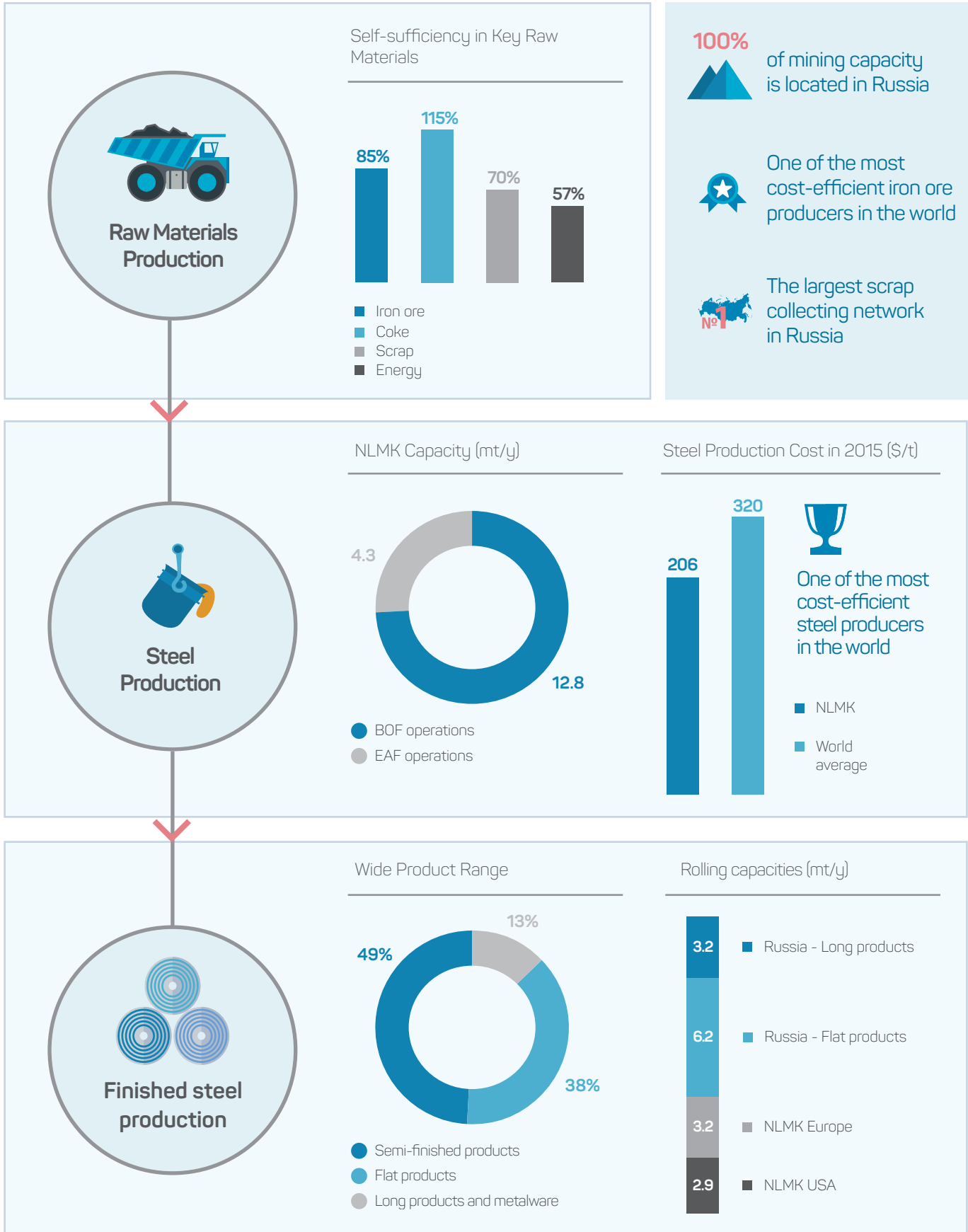
NLMK's share in the Russian market



▪ Electrical equipment and instrument making: transformers, electric motors, generators, bodies of electrical machines and appliances.

▪ White goods: gas and electric ovens, washing machines, refrigerators, dishwashers, extractor fans, household boilers, etc.

NLMK BUSINESS MODEL



BUSINESS MODEL

NLMK's business model is leveraging the geographical location of our assets. Mining and steel production assets (the most material- and resource-intensive part of the integrated process) are located in Russia, a low-cost region. Production of finished products is concentrated in the key sales markets in close proximity to our customers in Russia, North America, and the EU.

UPSTREAM

How we do it

NLMK resource base is located in Russia. NLMK raw material assets are among the most efficient facilities in Russia and globally. Efficient vertical integration has enabled stable supply of raw materials to further production stages and secured minimum steel production costs.

Advantages

Stoilensky is one of the most efficient iron ore producers with a reserve of over six billion tonnes and iron ore concentrate production cost of approximately \$10 per tonne. Stoilensky is situated 250 km from the main plant in Lipetsk, enabling maximum logistic efficiency. Stoilensky supplies up to 80% of concentrate produced by the Group.

Captive coke production (covering more than 100% of the Group's demand) enables high quality of coke products, which in turn boosts efficiency of blast furnaces, the next stage in production.

NLMK's scrap processing division is the largest in Russia, securing stable supply of scrap to the Group's steelmaking plants.

The Lipetsk site is 57% self-sufficient in electrical energy generated by plants run mainly on by-product gases from coke and blast furnace operations.

MIDSTREAM

How we do it

The Company's steelmaking capacities are over 17 million tonnes per year. 95% of the capacities are located in Russia.

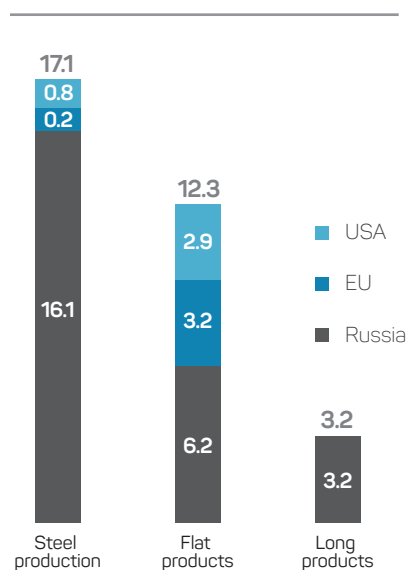
NLMK has a flexible production chain. Approximately 20% of our steel is manufactured using electric arc furnace technology (NLMK

grade, NLMK Indiana, NLMK Verona*), and 80% is manufactured using basic oxygen furnaces (Lipetsk site).

Advantages

The capacity utilization rate at the Lipetsk site (accounting for 80% of the Group's steel-making capacity) is 100% regardless of the production cycle on the back of efficient vertical integration with the raw material assets, technological superiority of equipment, advantageous geographical location and a diversified product mix. These factors have helped to guarantee the lowest production cost in the global industry. In 2015, steel production cost was \$206 per tonne while the global average figure was \$320 per tonne.

Production capacity (mt/y)



EAF-based plants (NSMMZ and NLMK Kaluga) produce long products for the construction industry, ensuring prompt response to seasonal changes of demand in the Russian market.

DOWNSTREAM

How we do it

NLMK's rolling facilities are located in Russia, Europe, and the USA. The total HVA production capacity exceeds 15 million tonnes of flat and long products, which enables processing of up to 90% of steel produced at our own rolling mills.

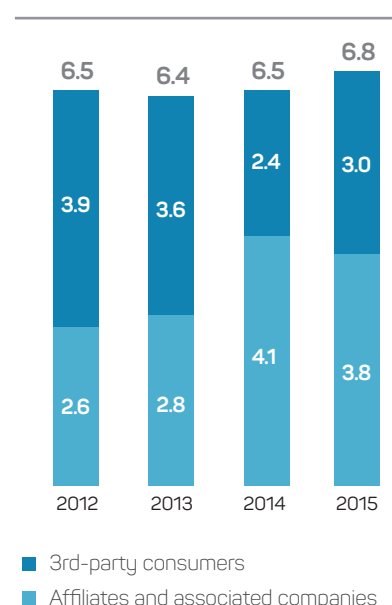
The Company's products are used in sectors such as construction, pipe manufacturing, machine building and energy sector, including wind power engineering.

The Company supplies rolled products and billets to Russia, EU, North America, the Middle East, Asia and other regions.

Advantages

NLMK's rolling facilities are located in the key sales markets, close to end users. This ensures competitive advantages of our product during customer interaction, enhancing stability of quality, just-in-time deliveries and on-top customer service. Approximately 80% of flat products are sold in the region where they are produced.

NLMK Russia slab sales (mt)



Finished rolled products are made from semi-finished products produced in Russia, ensuring consistently high quality of rolled products and expediency in production. The Company's European and US rolling capacities process 75% of semi-finished products exported from the Group's Russian assets.

The Company's global presence in the major sales markets is supported by a diversified product mix and flexible sales policy. NLMK is therefore in position to timely channel products to most promising markets maintaining full utilization of the entire supply chain.

* Inclusive of NBH capacities

INNOVATION

A commitment to innovative ideas lies at the heart of our business culture. NLMK has historically provided a platform where new technologies are developed which may be later adopted by other companies and spread around the world. We work with our customers to design new solutions or adapt existing ones – offering them the best ways to improve their competitiveness.

NLMK has a comprehensive approach to innovation. We are consistently developing our product mix, optimizing our production and auxiliary processes to increase operational efficiency, and mastering new technologies to boost equipment productivity.

PROCESS INNOVATION

The key goal of Strategy 2017 is to develop NLMK Production System as a single business process aimed at achieving strategic objectives by optimizing the use of the Company's material and intellectual resources. Developed in-house, the Production System brings together NLMK's unique technology and knowledge base, leveraging the best elements and advantages of systems used by leading global manufacturers.

Our system is based on the principles of continuous improvement and lean manufacturing as well as on incentives which encourage initiatives and best practices from around the world.

NLMK Production System covers processes across all NLMK Group operations: production, energy, M&R, logistics, occupational health and safety, and investment. The main elements of the system are already in use at practically all key NLMK Group companies, including international assets.

Despite its gradual implementation process, NLMK Production System has already proved to be highly efficient. For instance, thanks to the active involvement of all NLMK Group companies in the continuous improvement process in 2015, the impact from operational efficiency programmes (the key element of NLMK Production System) was double the target. For more details, please see Strategy in Action.

INNOVATION IN TECHNOLOGY

NLMK is implementing new technological solutions either developed internally or by bringing in the expertise of third party R&D contractors.

Coke operations: Over the last few years, NLMK has introduced a new technology for producing coke with high CSR without using imported coals or coals that are in short supply in the Russian market. In pig iron manufacturing, NLMK now uses small-sized coke and sinter, thus boosting resource use efficiency. Fine-tuning of pulverized coal injection modes continued at blast furnaces No. 4 and 5, which helped cut down the consumption of expensive coke, expand the production of pig iron with a silicon content of 0.3–0.5%, and reduce the possibility of deviations from the target chemical composition range.

Blast furnace operations: In 2015, innovative technology enabled an increase in pig iron production by 0.7 million tonnes, while improving its quality and reducing specific metallurgical coke consumption by 5%. Innovations made our blast furnace No. 7 launched in 2011 one of the most efficient in the world; its production capacity exceeded 4 million tonnes vs. the base level of 3.4 million tonnes.

Steelmaking operations: The use of new process solutions and optimization of steelmaking operations supported a record level of steel production at the Lipetsk site in 2015 (12.9 million tonnes). Innovations brought steel consumption during rolling operations down, and at the same time improving product quality and boosting equipment productivity.

Other Russian and international NLMK Group companies are also introducing innovative technologies.



PRODUCT INNOVATION

Strengthening our position in niche and HVA markets is one of NLMK's Strategy 2017 goals. This explains our focus on expanding the product mix and improving product quality. The two key product innovation projects that stood out in 2015 were firstly the adoption of high-permeability transformer steel production technology and the onset of serial production; and secondly the expansion of our high yield strength and abrasion resistant Quard® and Quend® range.

High-permeability transformer steel

As one of the leading global suppliers of transformer steel, NLMK interacts closely with its key customers, carefully monitoring all new trends in the sector. As demand for powerful, energy efficient transformers (for which energy losses are a key issue) increased, the market has developed a need for transformer steel with high magnetic permeability and minimal specific magnetic losses. To satisfy the demand in this



growing segment, NLMK began developing its own technology for making a new type of product: high-permeability transformer steel.

To this end, an ambitious set of initiatives was implemented across all production stages at the Lipetsk site, including the commissioning, reconstruction and upgrading of the existing steelmaking and rolling equipment.

In 2015, NLMK technical experts carried out the tests needed to adopt the new production process. Also, the Company developed a technology to produce pig iron and steel which meet stringent chemical composition requirements; tested new hot rolling modes; and performed a wide set of initiatives to develop new process modes and use new materials.

At the beginning of 2016, NLMK produced its first series batches with specific magnetic losses in line with those of its international

peers. The product is in high demand from leading global transformer manufacturers.

High strength and abrasion resistant plates

In 2015, we continued active promotion of our premium products: abrasion resistant Quard® plates and high strength Quend® plates. Both these products are produced by our European plant NLMK Clabecq from slabs supplied from Novolipetsk.

Quard® is a martensitic abrasion resistant steel produced in a variety of hardness options from 400 to 500 HB and available in thickness ranging from 4 to 64 mm. Key advantages of this steel grade include a unique combination of high strength, hardness and ductility achieved through water quenching – a process that ensures the required microstructure throughout the thickness of the plate. For more information about this product, please visit <http://quard.eu.nlmk.com/>.

The high strength Quend® steel is characterized by high yield strength: 700, 960 or 1,100 MPa; and it is also available in thickness from 4 to 64 mm. One of the key advantages of Quend® plates is their guaranteed strength coupled with lower weight. Higher strength means that when ensuring a load bearing capacity similar to standard steel grades, the plates can be thinner. Their reduced weight helps lower specific energy consumption, cut operating costs, and leave a smaller environmental footprint, which in turn increases our clients' competitiveness.

For more detailed information on this product, please visit <http://quend.eu.nlmk.com/>.

NLMK supplied 71,000 tonnes of these niche Quard® and Quend® plates in 2015. The Company plans to further expand this product range and introduce new grades of high strength and abrasion resistant steel in a wider variety of dimensions in 2016.

STRATEGY

In February 2014, NLMK Group announced a new phase of development. "Strategy 2017" is focused on unlocking significant internal potential of the Group's businesses by boosting operational and process efficiency across the entire production chain, enhancing vertical integration into key raw materials, increasing sales of high value added (HVA) products, and pursuing environmental, safety and human capital development programmes.

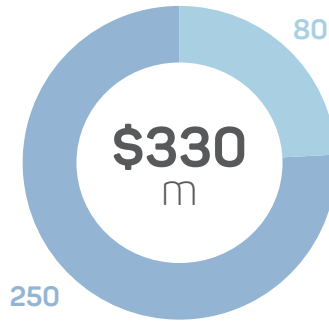
Strategy 2017 is centred on gaining leadership in operational efficiency, developing a world-class resource base, and achieving leading positions in strategic markets. Special emphasis is placed on industrial safety, sustainability and human capital development.

"Strategy 2017" targets net gains of \$1.0 billion per annum and envisions overall development capex of \$1.0 billion.

STRATEGY 2017: KEY TARGETS

Targeted annual net gains in 2018 vs 2013: \$1,000 m

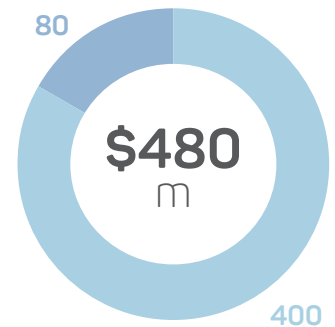
 **Leadership in operational efficiency**



How we do it

Maximum use of potential to enhance operational efficiency through investment programmes and NLMK Production System.

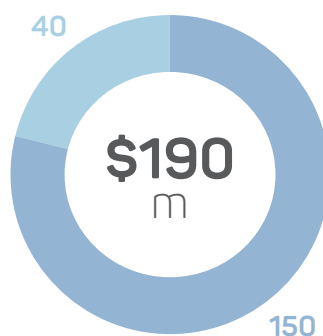
 **World-class resource base**



How we do it

Increased self-sufficiency in iron ore with a flexible charge structure and consequential reduced consumption of expensive resources.

 **Leading positions in strategic markets**



How we do it

Entering new or expanding presence in attractive product niches, industries, and regions; higher utilization rates at existing capacities; growth in domestic sales; and an increased share of HVA products.

- Management initiatives
- Investment projects

 **Leadership in sustainability and safety**

- Minimize environmental footprint
- Promote safe operating practices
- Develop motivated and engaged workforce

How we do it

Systematic minimization of our environmental footprint; compliance of production processes with the strictest environmental and OHS standards; leadership in labour productivity for the sector supported by empowered and motivated staff.

Creation of the conditions for high labour productivity through provision of opportunities for professional training and through fostering of a strong corporate culture.

Note: all numbers include NBH unless otherwise stated.

STRATEGY IN ACTION

In 2014–2015, structural net gain for NLMK Group as a result of Strategy 2017 totalled \$477 million per year (using 2015 prices, vs. 2013 base-level), or 48% of the total Strategy 2017 target the Group plans to achieve by 2018. Over 85% of the savings in 2014–2015 came from operational efficiency programmes that did not require any capital outlay; whilst the remaining 15% came from investment projects.

In 2015, net gains totalled \$256 million (from 2014 base-level).

LEADERSHIP IN OPERATIONAL EFFICIENCY

- As a result of the implementation of this strategy in 2014–2015, the net gain from dedicated projects totalled \$280 million per year.
- In 2015, NLMK undertook extensive development of the Group's Production System, with the total number of projects growing by over 500 to exceed 1,800 by the end of the year. Additional structural net gain from operational efficiency projects exceeded the target effect almost two-fold year-on-year, totalling \$145 million per year (to 2014 base level).
- As a result of these projects, in 2015 the productivity of steelmaking equipment at the Lipetsk site increased by 300,000 tonnes per year; and the production capacity of the hot-strip mill increased from 5.9 million tonnes per year to 6.0 million tonnes per year in 2015, among other improvements.
- In the Mining Segment, the productivity of beneficiation equipment in 2015 increased by 0.8 million tonnes of concentrate per year. Over the entire strategy implementation period in 2014–2015, productivity of Stoilensky's beneficiation plant increased by 1.3 million tonnes per year to 15.2 million tonnes per year. In 2016, operational improvements are expected to boost productivity by a further 300,000 tonnes per year.

WORLD-CLASS RESOURCE BASE

- As a result of the implementation of this strategy in 2014–2015, the net gain from dedicated projects totalled \$100 million per year.
- Structural gain from operational efficiency programmes and investment projects in 2015 totalled \$61 million from 2014 level.
- In 2016, Stoilensky plans to complete the construction of its pelletizing plant, with launch scheduled for H2 2016. This will provide an annual effect on the Group's operating performance in excess of \$180 million (to be fully achieved in 2017).
- Stoilensky continues to pursue its programme aimed at boosting the productivity of its beneficiation plant, in order to supply the pelletizing plant with sufficient iron ore concentrate used as a feedstock for pellets manufacturing. The programme includes an entire range of debottlenecking projects. By 2018, output of iron ore concentrate will increase by 1.6 million tonnes per year (from 2015 level), including by 600,000 tonnes per year in 2016. It has been estimated that project investment during the period of 2014 to 2017 will be \$120 million. As a result, production capacity will reach 17.3 million tonnes of concentrate by 2018.



\$477 m

Net gains of NLMK Group from achievement of strategic objectives in 2014–2015

LEADERSHIP ON STRATEGIC MARKETS

- As a result of the implementation of this strategy in 2014–2015, net gains from dedicated projects totalled \$97 million per year.

Note: all figures are shown inclusive of NBH, unless specified otherwise.



- In 2015, net gain from delivering on this goal totalled \$50 million from 2014 level.
- In 2015, steel sales increased by 5% year-on-year to 15.9 million tonnes, supported by high utilization rates at the Group's Russian assets and increased productivity of main equipment.
- Sales in the Russian market totalled 6.2 million tonnes, or 39% of total sales (43% in 2014).
- Deliveries of slabs to Russian pipe manufacturers increased in 2015 by 27% to 0.9 million tonnes. Over the same period, NLMK DanSteel increased sales of niche plates by 9% to 400,000 tonnes. NLMK Kaluga competed successfully with international suppliers and local long steel manufacturers in Central Russia, ensuring an 83% run rate at its rolling capacities.

LEADERSHIP IN SUSTAINABILITY AND SAFETY

- LTIFR at NLMK Russian assets declined by 22% year-on-year to 0.43 in 2015 (above target level).
- Specific air emissions reduced by 1% year-on-year to 20.9 kg/t.
- Labor productivity grew 6% year-on-year across the Group.

DIVIDEND POLICY

High profitability, and low debt and capex resulted in increased free cash flow available to NLMK Group shareholders. In 2015, NLMK adopted a new dividend policy that provided for quarterly dividends in the amount of 50% of net income or free cash flow if Net debt/EBITDA is less than or equal to 1.0.

- Dividend cash flow in 2015 totalled \$395 million (vs. \$226 million in 2014), including a part of 2014 dividends, and Q1 and Q2 2015 dividends.
- 9M 2015 accrued dividends totalled \$427 million.
- Dividend yield at the end of 2015 exceeded 10%.

OLEG BAGRIN, NLMK GROUP CEO, SAID

"The key goal of Strategy 2017 is to transform NLMK from a growing steel manufacturer into one of the most efficient steel companies in the world.

"We made substantial progress over the last two years, with long-term financial gains from the implementation of our strategy totalling \$477 million per year. The bulk of the gains are the result of the success of

our operational efficiency programmes, which are based on consistent application and development of NLMK Group's Production System and so do not require investment.

"In 2016 and 2017, we expect that more of the gains will be created by investment projects and commercial strategy programmes that strengthen NLMK's market positions in niche value added segments where we have created competitive advantages in technology, quality and cost of production.

"Despite the challenging market conditions, we've delivered on the objectives we set; increasing steel output to a record high, maintaining high utilization rates and boosting profitability. NLMK's debt leverage is four times lower than the sector average.

"Substantial cash flow from operations and conservative investment have supported a free cash flow level of \$1 billion in 2015, increasing the Company's financial stability, ensuring flexibility and high dividend yields.

"The consistent and successful implementation of our strategy ensures a high and stable return for our shareholders."

MARKET REVIEW

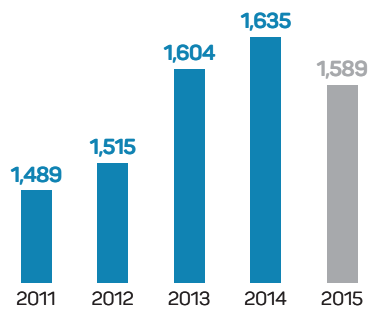
THE GLOBAL MACROECONOMIC SITUATION AND THE WORLD STEEL MARKET

Global economic growth slowed down to 2.4% in 2015 from 2.6% a year before due to the weakening emerging economies, a considerable drop in commodity prices, declining world trade and high volatility in the capital markets.

Global steel production fell by 2.8% to 1,589 million tonnes, which affected all the key producing regions. Capacity utilization was declining throughout the year, dropping to 64.6% as of late 2015, according to estimates by the World Steel Association (a 5 p.p. decrease from the year before).

Chinese steel consumption went down 5.4%, to 672 million tonnes (the country accounts for 45% of the world consumption). Steel production fell by 2.1% yoy, to 801 million tonnes. The sharper decline in demand led to an unprecedented increase in exports, which grew by 22% and reached 112 million tonnes. This factor, together with slumping prices for iron ore and excessive mining resulted in lower steel prices and more intense competition. A number of developed countries launched trade investigations to support domestic producers.

Global steel production in 2011–2015, mt



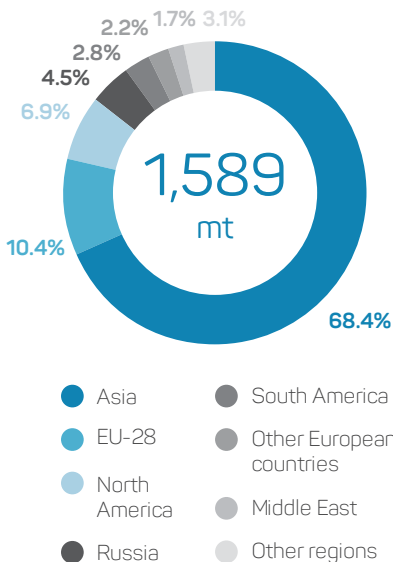
Russia's share of the global steel production in 2015 remained unchanged from the previous year (4.5%). Russian steel production fell by 0.8%, to 70.9 million tonnes.

Global apparent steel consumption fell by 3.2% in 2015, to 1,495 million tonnes (in 2014, it rose by 0.9%).

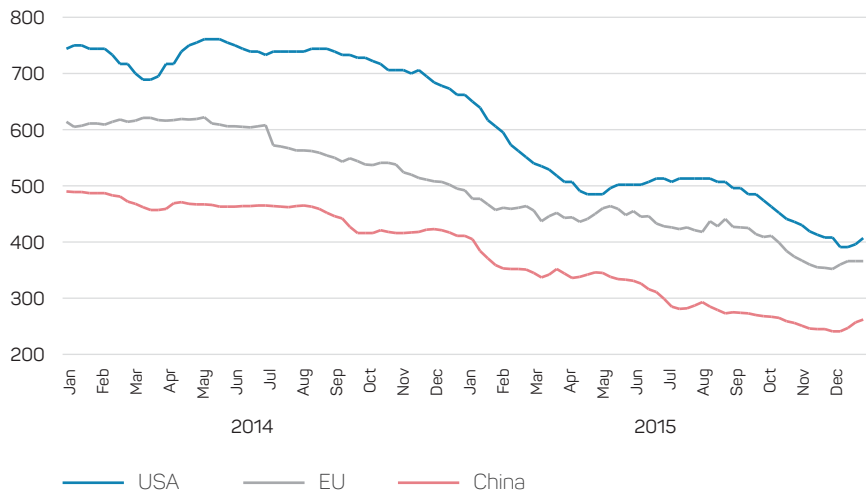
The figure for the USA decreased by 10.6% in the same year, to 95.7 million tonnes (in 2014, consumption grew by 11.8%). This was due to the large reserve stock built up earlier coupled with declining demand from the energy sector.



Steel production by region



Prices for hot-rolled steel in the domestic markets (\$/t, excl. VAT) in 2014–2015



Source: Metal Bulletin.



The EU countries saw a 1.9% increase in apparent steel consumption, to 151.4 million tonnes, which was driven by growth in the key industries except for pipe manufacturing (-5.6%). The automotive industry grew by 7.8%; construction, by 1.8%; and home appliances, by 3.7%.

The decline in global consumption of steel, falling prices for iron ore and increasing exports from China were the key drivers of the 30-40% decrease in steel prices.

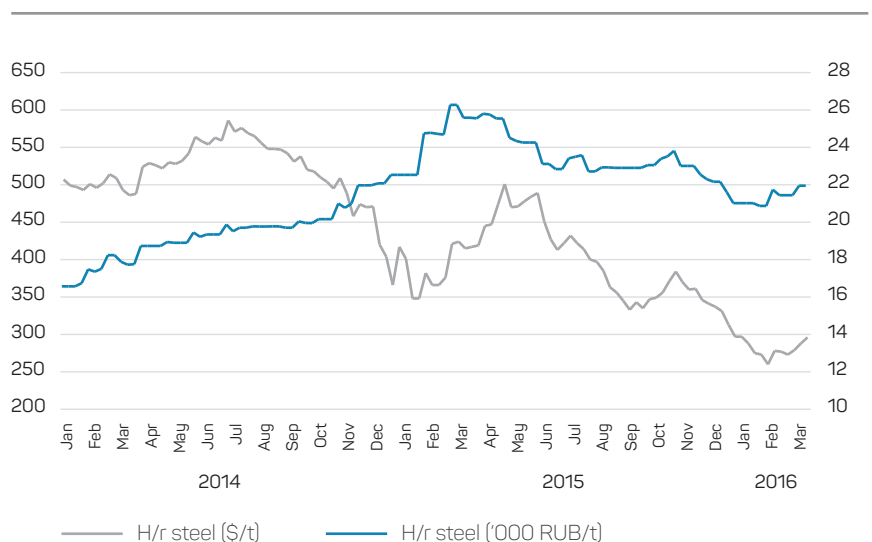
RUSSIAN MARKET

Russia's economic growth slowed down by 3.7% due to slumping commodity prices, high inflation and falling consumer purchasing power. Investments in fixed assets fell by 8.4%; construction levels went down 7%, and production of certain types of construction materials decreased by 19%. A 5.4% decline in manufacturing industries also adversely affected the steel market.

Apparent finished steel consumption fell by 8.3% in 2015, decreasing by 14% in the long steel sector and by 5% in the flat steel sector. The decline was partially offset by growing demand for steel used in pipes.

Russian steel production decreased by only 0.5% in 2015 yoy, to 71 million tonnes;

Domestic prices for hot-rolled steel in Russia, excl. VAT



Source: Metal Bulletin.

this was due to stable steel supply to the domestic market and a rise in steel exports accompanied by a 30% decrease in imports.

The changes in Russian steel prices in 2015 were driven by the exchange

rate volatility. Prices rose significantly in the middle of the second quarter from the previous quarter as the ruble strengthened, but the resumed fall in oil prices and devaluation of the national currency made them go down again in a decline lasting through the year end.

FINANCIAL AND OPERATING REVIEW 2015

COMMENT FROM NLMK GROUP CFO GRIGORY FEDORISHIN

"In 2015, global steel consumption continued to decline, exacerbating the supply/ demand imbalance in the global market. Key factors behind the slump in steel product prices included an unprecedented spike in steel exports from China on the back of the continuing fall in demand and the dip in raw material prices.

The deteriorating economic situation in Russia had a negative impact on steel consumption in the local market where demand dropped by approximately 9%.

"NLMK's competitive advantage in terms of production costs and a presence in key sales markets supported a 5% increase in sales to a record 15.9 m t, while maintaining maximum utilization rates at key facilities.

In 2015, NLMK continued to implement its large-scale operational efficiency programme, rolling it out to all Group sites. 1,800 optimization projects ensured a structural profit increase of \$197 million yoy in 2015, more than double the level that was planned initially.

Higher sales volumes and gains from optimization programmes allowed maintaining the EBITDA margin at a high level of 24% (+1 p.p. yoy).

In 2015, active construction began of our new pelletizing plant at Stoilensky. Launch is planned for H2 2016. This factor pushed capex up to \$595 million.

Significant cash flow and conservative investment supported a positive free cash flow of \$1.0 billion, consolidating the company's financial stability and ensuring the possibility of high dividend payout.

2015 net debt decreased by 32% to \$1.1 billion; Net debt to EBITDA was 0.6x, one of the lowest ratios in the sector. We continue to actively manage our debt portfolio: at the end of the year NLMK issued ruble bonds for a total of 10 billion rubles and closed a 4-year \$400 million loan facility secured by export revenue.

In 2015, NLMK shareholders approved a new dividend policy that presupposes quarterly dividend payments. In 2015, NLMK paid

\$395 million in dividends. NLMK's Board of Directors will review management's dividend recommendations for Q1 2016 in April 2016."

OPERATING REVIEW

2015 operating highlights

Production, m t	2015	2014	YoY
Crude steel production	15.866	15.921	0%
Capacity utilization, %	93%	96%	-3 p.p.
Consolidated sales			
Semi-finished steel	6.070	4.903	24%
Finished steel	9.793	10.222	-4%
Flat	7.704	7.886	-2%
Long	2.089	2.336	-11%
Total consolidated sales	15.863	15.126	5%
Sales to Russian market	39%	43%	-4 p.p.
Sales to external markets, incl.:	61%	57%	+4 p.p.
Export from Russian companies	34%	28%	+6 p.p.
Slab sales to NBH	13%	13%	0 p.p.
Foreign subsidiaries sales	14%	16%	-2 p.p.
For information: slab sales to foreign subsidiaries and affiliates	3.829	4,051	-5%
Segment sales			
Russian Flat Products	13.165	12,260	6%
Russian Long Products	2.375	2,636	-10%
Mining	17.014	16,209	5%
Foreign rolled products	2.199	2,407	-9%
For information: NBH sales	1.991	1.807	10%

2015 Group crude steel output remained stable yoy at 15.9 million tonnes; capacities were running at 93%.



FINANCIAL REVIEW

2015 financial highlights

k t/\$ million	2015	2014	YoY
Sales volumes	15,863	15,126	5%
Revenue	8,008	10,396	-23%
EBITDA	1,948	2,381	-18%
EBITDA margin	24%	23%	+1 p.p.
Profit for the period	967	773	25%
Free cash flow	997	1,153	-14%
Net debt	1,091	1,598	-32%
Net debt/EBITDA	0.56x	0.67x	

Revenue

2015 revenue declined by 23% to \$8,008 million due to the 30–40% yoy reduction in prices that was partially offset by a 5% yoy increase in sales.

Pressured by the price factor, revenue from sales to international markets decreased by 18% yoy to \$4.9 billion, with the bulk of deliveries going to the EU (20%), the USA (17%), Middle East and Turkey (9%). The share of revenue from sales to the Russian

market fell to 39% (–4 p.p. yoy) due to a 6% yoy decrease in shipments to Russia and the significant devaluation of the Russian ruble.

Sales of semi-finished products to external consumers accounted for 19% of the revenue (+3 p.p. yoy); sales of semi-finished products to related parties accounted for 9% (flat yoy); sales of HRC and long products accounted for 27% (–4% yoy).

The share of revenue from sales of HVA products was 37% (+1% yoy). There was an increase in revenue from sales of premium products, with revenue from transformer steel sales increasing by 22% yoy.

Operational efficiency programmes

In 2015, NLMK continued to implement its operational efficiency programmes. Over 1,800 optimization projects across all NLMK business divisions ensured an economic effect of \$197 million (vs. the 2014 cost base).

Operating profit

2015 operating profit fell by 13% yoy to \$1,388 million due to the narrowing of spreads between raw material and finished product prices. This factor was partially offset by the effect from operational efficiency programmes, a 5% yoy increase in sales, as well as the weakening of the ruble against the dollar.

The 28% yoy decrease in general and administrative expenses was driven by optimizing management expenses, as well as the fall in the ruble exchange rate.

The 13% yoy decrease in commercial expenses was associated mainly with the currency factor that was partially offset by a 5% yoy increase in sales and an increase in the share of shipments to international markets with higher transportation costs.

Net profit

2015 net profit was \$967 million (+25% yoy), the increase being associated with the low base of 2014 when significant impairment losses were accounted for (\$657 million vs. \$86 million in 2015). The decrease in NBH losses (\$103 million in 2015 vs. \$193 million in 2014) also had a positive effect on the profit.

Free cash flow

2015 free cash flow was \$997 million (-14% yoy).

Debt management

Net debt in 2015 declined by 32% yoy to \$1.09 billion due to NLMK's conservative financial policy and significant free cash flow.

Net debt/EBITDA stood at 0.6x as at the end of 2015 (vs. 0.7x at the end of 2014).

Net changes in financial liabilities in 2015 totalled \$97 million.

NLMK Group's total debt in 2015 decreased by 3% to \$2.68 billion, including 21% of short-term debt comprised mainly of ruble bonds and revolving credit lines for working capital financing.

Interest expenses in 2015 totalled \$119 million (-34% yoy), including \$32 million of capitalized interest expenses accounted for as part of capex.

Russian Flat Products

Segment sales in 2015 were 13.2 m t (+7% yoy), including 9.3 m t (+14% yoy) shipped to third parties. This increase in sales

Russian Flat Products

k t/\$ million	2015	2014	YoY
Steel product sales, incl.:	13,165	12,258	7%
sales to third parties	9,324	8,180	14%
Revenue, incl.:	6,065	7,872	-23%
external customers	4,719	5,684	-17%
intersegmental operations	1,346	2,188	-38%
EBITDA	1,581	1,609	-2%
EBITDA margin	26%	20%	+6 p.p.

was driven mostly by higher semi-finished product shipments: +0.7 m t of commercial pig iron (vs. 0.3 m t in 2014) and +3.0 m t of slabs (vs. 2.4 m t in 2014).

Total Segment revenue was \$6.1 billion (-23% yoy), including \$4.7 billion (-17% yoy) from sales to third parties. The 20-30% slump in prices was partially offset by an increase in the volume of sales.

Structural gain from operational efficiency programmes and the devaluation of the Russian ruble supported an increase in Segment profitability to 26% (+6 p.p. yoy), at the same time practically offsetting the impact from the narrowing of spreads between steel and raw material prices. While steel prices dipped 20-30%, 2015 EBITDA declined by 2% yoy to \$1,581 million.

Russian Long Products

k t/\$ million	2015	2014	YoY
Steel product sales, incl.:	2,375	2,636	-10%
sales to third parties	2,239	2,619	-15%
Revenue, incl.:	1,152	1,815	-36%
external customers	859	1,447	-41%
intersegmental operations	293	368	-20%
EBITDA	49	152	-68%
EBITDA margin	4%	8%	-4 p.p.

Russian Long Products

Segment sales declined by 10% to 2.38 m t, an improvement on the trend seen in the Russian long product market where consumption dipped by 17% yoy. The decrease in demand in Russia was partially offset by an increase in export sales to 0.28 m t (+37% yoy).

Total Segment revenue in the reporting period was \$1,152 million (-36% yoy) due to the decrease in sales volumes and a negative pricing trend for long products.

2015 EBITDA was \$49 million (-68% yoy) due to the decrease in sales and the narrowing of spreads between long product and scrap prices. EBITDA margin was 4% (-4 p.p. yoy).

Mining Segment

k t/\$ million	2015	2014	YoY
Iron ore concentrate and sinter ore sales, incl.:	17,014	16,209	5%
sales to Lipetsk plant	12,380	11,942	4%
Revenue, incl.:	589	1,068	-45%
external customers	184	346	-47%
intersegmental operations	405	722	-44%
EBITDA	297	640	-54%
EBITDA margin	50%	60%	-10 p.p.

Mining Segment

Iron ore concentrate and sinter ore sales in 2015 increased to 17 m t (+5% yoy) on the back of improved equipment productivity and an increase in iron ore shipments to the Lipetsk site (by 4% yoy to 12.4 m t).

A two-fold reduction in global iron ore prices determined the Segment's downward revenue trend: in 2015 it totalled \$589 million (-45% yoy).

Pressured by the price factor that was partially offset by the effect from operational efficiency programmes and higher sales volumes, EBITDA was \$297 million (-54% yoy); and EBITDA margin was 50% (-10 p.p. yoy).

Foreign Rolled Products Segment

2015 segment sales totalled 2.2 m t (-9% yoy) due to intensified competition with import deliveries and a drop in demand from OCTG and machine-building companies in the US market.

Foreign Rolled Products Segment

k t/\$ million	2015	2014	YoY
Steel product sales	2,199	2,412	-9%
Revenue, incl.:	1,442	2,015	-28%
external customers	1,442	2,015	-28%
intersegmental operations	-	-	0%
EBITDA	(96)	104	-193%
EBITDA margin	-7%	5%	-12 p.p.

Segment revenue was down by 28% yoy to \$1,442 million due to the yoy fall in average sales prices and reduced sales volumes.

2015 EBITDA loss was -\$96 million. This was associated mainly with the use of expensive slabs accumulated at the end of 2014 and beginning of 2015. Without this factor (assuming slabs were purchased at current market prices) Segment EBITDA would have been +\$25 million.

NBH (associated company) results

Increased demand for steel from key sectors in the European market in 2015 drove NBH sales up by 10% to 2.0 m t.

NBH revenue declined by 18% yoy to \$1.3 billion due to the fall in prices for finished products.

2015 EBITDA loss of \$92 million (vs. \$115 million in 2014) was determined by narrow spreads between prices for semi-finished and finished products, the latter being partially offset by the increase in sales volumes and the effect from operational efficiency programmes.



5-YEAR HIGHLIGHTS

Financial indicators, US\$ m	2011*	2012*	2013	2014	2015
Revenue	11,729	12,157	10,818	10,396	8,008
Profit for the period attributable to NLMK shareholders**	1,315	596	145	773	967
EBITDA	2,254	1,900	1,480	2,381	1,948
EBITDA margin	19%	16%	14%	23%	24%
Cash flow from operations	1,315	1,825	1,333	1,806	1,651
Capital expenditures	2,048	1,453	756	563	595
Net debt	3,355	3,574	2,736	1,598	1,091
Dividends per share	0,0627	0,0193	0,0243	0,1289	n/a

Production indicators, '000 t	2011	2012	2013	2014	2015
Liquid steel output	11,968	14,923	15,429	15,921	15,866
Total steel product sales	12,840	15,184	14,831	15,126	15,863
Sales of HVA products	4,508	5,428	5,223	4,700	4,530

Sustainability indicators	2011	2012	2013	2014	2015
Headcount, '000 people	60.0	62.5	62.1	60.1	56.7
Labour productivity, t of steel/person (Lipetsk operations)	329	406	420	437	463
LTIFR at Russian assets of NLMK Group	0.87	0.87	0.86	0.55	0.43
Air emissions, kg/t of steel	26.1	22.6	21.9	21.1	20.9

* Financial data in line with IFRS. 2011–2012 data in line with US GAAP.

** For 2011–2012: net profit attributable to NLMK shareholders.

NLMK's SUSTAINABILITY REVIEW

NLMK Group headcount: **56,700 people**
 Labour productivity at Novolipetsk increased by **6%**
 Cumulative environmental investment since 2001: **\$1.3 billion**
 Emission rates dropped to **20.9 kg/t**
 Specific energy consumption decreased by **1% yoy**
 The number of occupational accidents decreased by **29% yoy**

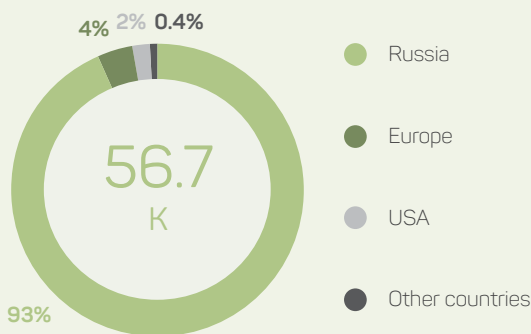
Over **50%** of employees are involved in training initiatives each year

NLMK Group's investments in the regions of presence: **\$54 million**

Active stakeholder engagement: **over 370 meetings** with shareholders and investors were held



EMPLOYEES BY GEOGRAPHY



6%

yoy increase in productivity; a 41% improvement from 2011



VISUALLY COMPELLING AND EFFECTIVE PROMOTION OF OCCUPATIONAL HEALTH AND SAFETY

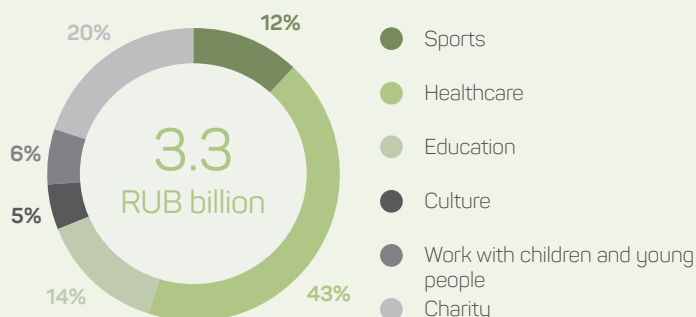


0.43

Lost time injury frequency rate (LTIFR) at NLMK Group's Russian companies: a yoy decrease of 22%



STRUCTURE OF INVESTMENT IN SOCIAL PROJECTS

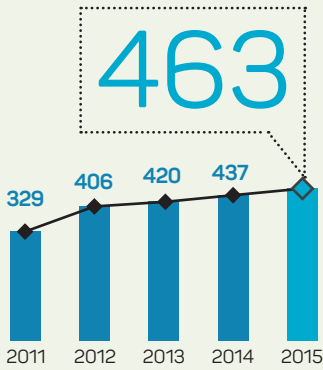


In 2015, NLMK Group increased the investment in social projects

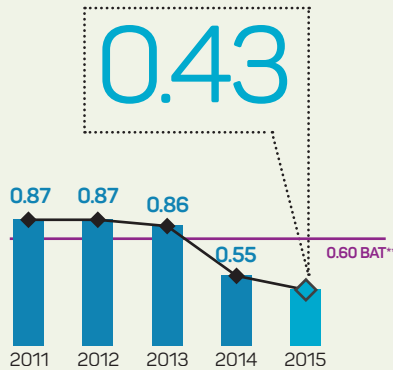
by **13%** to RUB 3.3 billion

Key sustainability indicators

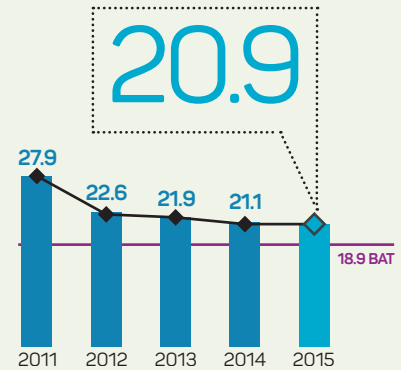
LABOUR PRODUCTIVITY (LIPETSK SITE) TONNES OF STEEL PER PERSON



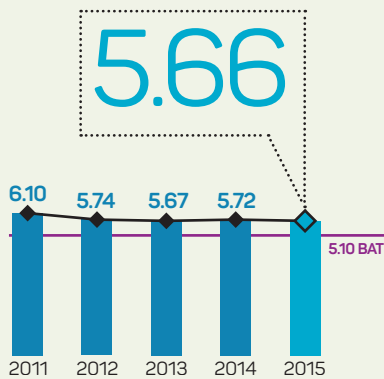
LTIFR (NLMK'S RUSSIAN ASSETS)*



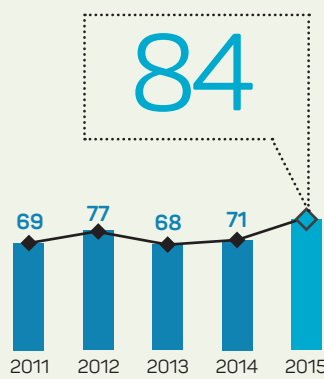
SPECIFIC ATMOSPHERIC EMISSIONS (KG/TONNE OF STEEL)



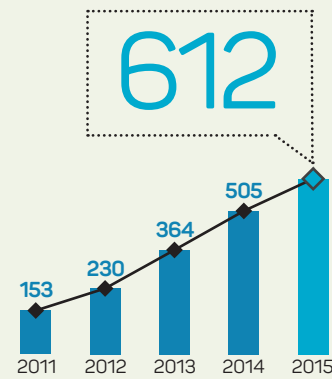
SPECIFIC ENERGY INTENSITY (LIPETSK SITE, GCAL/T)



SHARE OF EMPLOYEES WHO RECEIVED PROFESSIONAL TRAINING (%)



ENVIRONMENTAL INVESTMENT (CUMULATIVE \$ M)



* Lost-time injury frequency rates.

** Hereinafter BAT (best available technologies) refers to the level of best available technologies for integrated steelmakers.

Corporate sustainability-related events in 2015



CERTIFICATION OF THE ENVIRONMENTAL MANAGEMENT SYSTEM

In 2015, the Environmental Management System at NSMMZ and NLMK Metalware was certified as compliant with ISO 14001:2004 by BSI



APPROVAL OF NLMK'S HR STRATEGY

NLMK Group's HR strategy was designed based on the Strategy 2017 targets. Development of the talent management system is a key aspect of the HR strategy



PRIZE IN THE ENVIRONMENTAL COMPETITION

NLMK Group topped the Urban Ecology nomination in the Vernadsky National Environmental Competition for the successful implementation of its environmentally friendly waterless BF slag cooling technology



RECOGNITION OF NLMK GROUP'S PLANTS AS REGIONAL LEADERS IN LABOUR PRODUCTIVITY

NLMK Kaluga, Novolipetsk and Altai-Koks became winners in the first national «Labour productivity – Industrial Leaders 2015» award and were recognized as leaders in labour productivity in their respective regions

CEO STATEMENT



Dear ladies and gentlemen,

Our company is a socially responsible business. We understand that our responsibility encompasses not only the output of high-quality products, but also the development of society; protection of the environment; provision of comfortable and safe working conditions; creation of opportunities for career growth for our employees; as well as support for the health and welfare of not only NLMK Group employees but also their families and those in the communities where we operate.

As a result, leadership in sustainability and safety is one of the key targets of Strategy 2017. We continued our efforts towards achieving this target in 2015 by investing in social projects, occupational health and safety and development of the potential of our employees.

In 2015, NLMK Group's Management Board approved our HR Strategy for the next two years. It was devised on the basis of the goals set out in Strategy 2017 and the volatile economic situation. Today, as never before, the company's success depends on its employees' personal performance and ability

to tackle challenging tasks. Therefore, the development of the talent management system is at the core of our new HR Strategy.

Identifying, developing and promoting talented employees has been a priority for NLMK Group for several years now. We train our staff starting from their school years and work to continuously improve their knowledge. Tens of thousands of employees undertake retraining; study for a second qualification; and improve their skills. Approximately 90% attend the Group's Corporate Training Center.

Injury free and zero incident production, achieving best global OHS standards and ensuring leadership in production culture are important elements of Strategy 2017. In the last two years we have implemented our top priority programmes for risk management; and personnel training, involvement, and awareness; which have driven a considerable injury rate reduction. Today, all NLMK Group plants are covered by the integrated occupational health and safety programme and the Lost Time Injury Frequency Rate (LTIFR) has declined by 20% from the 2014 level, bringing it in line with the level of global best practice.

The Company's ongoing efforts to minimize its environmental impact also continue apace. We believe this is a key element serving to improve the quality of life of our employees and the wider community. NLMK Group invested more than \$100 million into environmental projects across all production sites in 2015. Implementation of environmental projects has helped us to significantly reduce the environmental impact of our production activities. In 2015 we were able to cut specific air emissions and water consumption, even though in terms of the latter NLMK had already surpassed the level of global best practice. NLMK Group will continue to further reduce its environmental footprint, regardless of output growth and the steel market environment.

Priority areas of NLMK Group's social policy over the past year included enhancement of the health and welfare of NLMK's employees and their family members; organization of sports and cultural events; co-financing of non-state pensions for workers; and support for vulnerable social groups. The Company allocated more than \$50 million for these activities.

I am certain that the achievement of the sustainability targets envisioned by Strategy 2017 will drive the continued dynamic development of the Group and improve confidence in the Company yet further; as well as providing a foundation for even closer cooperation with all NLMK Group's stakeholders.

**Best regards,
Oleg Bagrin
President of NLMK Group,
Chairman of the Management Board**

STAKEHOLDER ENGAGEMENT

NLMK perceives corporate responsibility as integral, involving the selection and application of the most effective methods of engaging key stakeholders, resulting in decisions which are beneficial for all parties.

In identifying key stakeholders, the Company considered the extent of their influence over NLMK Group's operations

This approach generated the following list of stakeholders: Company employees, shareholders and investors, customers and suppliers, government regulators and supervisors, trade unions, public organizations and local communities in the regions where the Company operates, including potential employees.

The Company conducts regular research into the opinions of key stakeholders through polls and consultations, engages them in discussions, working group meetings to review specific issues, and standing committees, etc.

By developing a framework for stakeholder engagement, the Company seeks to improve its current approaches to dialogue with a view to identifying problems and developing optimal solutions more quickly.



Meeting at NLMK Pennsylvania

Stakeholders' interests	Tools for bilateral dialogue	Feedback
Company employees		
Salary, social package and social guarantees, career growth, safety and working conditions	Opinion polls, Dial 06 counselling service, union meetings, appointments to discuss personal issues, change-of-shift meetings, corporate media, incl. corporate magazines, newspapers	Salary indexation, swift response to applications, possibilities for further career development, improvements in working conditions
Trade unions		
Compliance with sectoral tariff agreement, compliance with collective agreements, observance of employment legislation, awareness of the Company's operations, employee salary level and social protection, working conditions and occupational safety	Meetings and negotiations, discussion and conclusion of collective agreements, labour dispute commissions, Joint Commission involving administration and union, social insurance commission, occupational safety commission, qualification and staff review commissions	Strict application of all social benefits and guarantees specified in collective agreements, joint implementation of measures, response to applications, following unions' recommendations
Shareholders and investors		
Operational and financial performance, Company strategy, dividend payments, corporate governance issues, number of ordinary NLMK shares floating freely on Russian stock exchanges, number of shares issued by NLMK and traded at the London Stock Exchange of Global Depository Shares	Meetings with the Company's senior management, annual reports and financial statements, quarterly performance presentations, teleconferences to discuss quarterly, six-month and annual results, media publications, Company website	Dedicated services for shareholder and investor relations, dedicated section for shareholders and investors on the Company website



Stakeholders' interests

Tools for bilateral dialogue

Feedback

Consumers

Fulfilment of contractual obligations, product quality and price, timely review and settlement of customer complaints and claims, technical upgrades and development, operational and financial performance, financial and nonfinancial risks

Annual reports and financial statements, conferences, forums, business meetings, Russian and international professional associations and organizations, media publications, Company website

Use of customer satisfaction monitoring results for future contracts

Local communities

Regional social and economic development, the environment, public health, funding of charity programmes, awareness of Company operations, reliability and transparency of information, job opportunities offered by the Company

Media, representatives of public organizations, members of representative and legislative bodies at different levels, career guidance events, conferences, meetings

Funding to support sports, healthcare, education and culture, financing child healthcare programmes and projects to promote a healthy lifestyle, charitable aid to disadvantaged social groups

Government authorities

Compliance with applicable laws, tax liabilities, regional social and economic development, environmental protection

Participation in the work of state authorities including legislative bodies, participation in international and Russian professional and public organizations, meetings, dialogues, media

A dedicated service for communication with representatives of state and local authorities, Company participation in different federal and regional programmes

Public organizations

Compliance with applicable laws, the environment, regional social and economic development, charitable activities

Conferences, clubs, meetings and other events, media, letters, Company website

Handling of all issues, participation in the implementation of joint projects

Suppliers

Possibility of long-term development, fulfilment of contractual obligations, timely review and settlement of supplier complaints and claims of customers, operational and financial statements of the Company

Annual reports and financial statements, conferences, forums, business meetings, Russian and international professional associations and organizations, media publications covering Company activities, Company website

Open tenders, contact information for procurement department on the Company website

OUR EMPLOYEES

Our team is our greatest asset, and our highly-qualified employees are a key factor in delivering strong performance.

Working at NLMK is an opportunity to create a new future with one of the world's most efficient steel companies.

NLMK is building a team of professionals offering comprehensive support to talented and ambitious employees who bring new ideas to life and are focused on result.

NLMK'S HR POLICY

The three pillars of our HR strategy and our mission on each of them:

Employee

We are striving to ensure that every job position within NLMK Group is filled by a properly qualified, motivated and loyal member of staff.

Company

We are striving to make NLMK Group the preferred employer in the markets where we operate, and to offer the best career opportunities to employees with high potential for advancement. We regard cost-effectiveness as our priority and believe that our personnel costs should not exceed our labour productivity growth. Our aim is to replicate and develop best practices and be able to adapt quickly to the changing environment.

HR

We are striving to ensure that our HR function uses advanced expertise to become a leader in our Employee and Company mission, while being a reliable business partner and one of the most cost-efficient functions in the industry.

The foundation and four strategic projects aimed at fulfilling the mission

Our **Talent Management** project aims to:

- Proactively identify and train qualified staff
- Fully unlock employees' potential and help them achieve job fulfillment

- Foster an honest and attractive culture that provides equal career opportunities
- Improve the organization's efficiency by consistently promoting high-potential employees
- Build a learning organization

Our **Motivation** project aims to:

- Align remuneration principles across the Group
- Establish clear rules for setting fixed salary rates, depending on job attributes (grades)
- Make sure that the variable pay is clearly linked to performance
- Create a perfect balance between the Company's competitiveness in the labour market and cost control

Our **Structure and Process Optimization** project aims to:

- Align organization principles across the Group
- Achieve labour efficiency with the number of cost-employees clearly linked to the volume of work
- Clearly define the responsibilities for each task within processes and functions
- Ensure optimal timing of organizational and structural changes through a single point of accountability for project coordination

Our **Employee Engagement** project will lead to:

- Positive attitude: our employees always speak positively of the Company when talking to their potential or existing colleagues or clients
- Loyalty: our employees want to stay with the Company for a long time and seek to be part of it
- Focus on improvement: our employees proactively seek to contribute to the Company's success



M. Willis and M. Flemming, staff members, NLMK Indiana

Case study: NLMK Group's HR policy for the next two years was approved in 2015. The policy is in line with the goals set out in the Group's Strategy 2017 and adapted to changing economic conditions. Its key aim is to build an effective talent management system, as employees' individual performance and ability to meet challenges determine the Company's success or failure.



The main goal of NLMK’s HR policy is to develop and manage talent effectively, building a cohesive team capable of delivering success and consistent growth.

To this end, the Company pursues an active policy aimed at attracting and retaining the most talented young employees, providing equitable salary increases, utilizing a range of different incentives, conducting professional training and staff development programmes, ensuring a safe working environment and improving social safeguards for employees.

We are striving to make NLMK Group the preferred employer in the markets where we operate, offering the best career opportunities and ensuring that all NLMK Group employees are properly qualified, motivated and loyal, as our leadership depends on what each of us contributes to the common cause.

HR POLICY KPI

Each year NLMK Group sets ambitious personnel and labour productivity targets, measuring KPIs both at the Group and individual company level.

Almost all the targets set for 2015 at both levels were met. Below are some typical examples of KPIs.

Level	Targets for 2015	Unit	Target	Actual performance	Progress
			2015		
NLMK Group	Labour productivity growth	%	5.0	6.0	Achieved
Novolipetsk	Attrition rate	%	6.0	2.6	Achieved
Stoilensky	Requests for professional training granted	people	1,395	2,177	Achieved
Scrap collection and processing division	Development and introduction of Regulations on Young Employees	-	-	-	Achieved
Altai-Koks	Senior management talent pool: competence profiles for all candidates at Altai-Koks approved	-	-	-	Achieved

After the new HR strategy was adopted, we added some employee advancement KPIs.

KPI	Unit	Target for 2016
Share of appointments from within the talent pool	%	75
Share of key positions to be filled with candidates from within the talent pool	%	50

OUR EMPLOYEES

Average NLMK Group headcount during 2015 was 56,700 people (-6% year-on-year), of which 53,200 people were employed at Russian sites; 2,400 people were employed at NLMK's European divisions; around 1,000 people were employed at NLMK USA; and around 300 people were employed in other countries where NLMK Group assets are located, including India, China, etc.

Over 50% of NLMK Group personnel are directly involved in the mining and steel production process; whilst 23% are involved in repair and maintenances; and approximately 3% are involved in research and innovative development. The remaining 24% are administrative and management personnel, including services.

NLMK has an active HR policy aimed at attracting prospective young workers from

both colleges and universities and among those that have completed their service in the armed forces of Russia. As a result, the Company hires over 1000 young qualified workers each year that later form the Company's pool of professional talent, future managers and experts.

NLMK Group has no gender limitations.

LABOUR PRODUCTIVITY

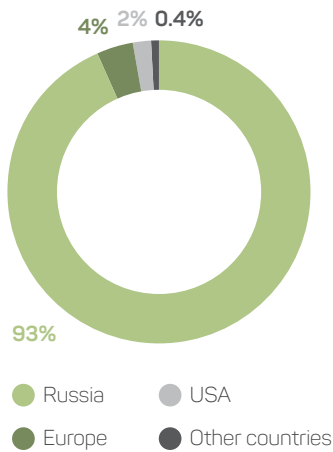
NLMK consistently enhances the efficiency of its business by increasing the level of motivation and professionalism of its employees; through equipment upgrades; by implementing new technologies; and rationalizing production processes.

The Company is currently on par with leading global steel companies in terms of operational efficiency; and NLMK continues to develop. The strategic target for the next few years is further increases in labour productivity through both process optimization initiatives and equipment productivity increases; with active involvement of personnel in the process. Continuous development has become the cornerstone of NLMK's corporate culture.

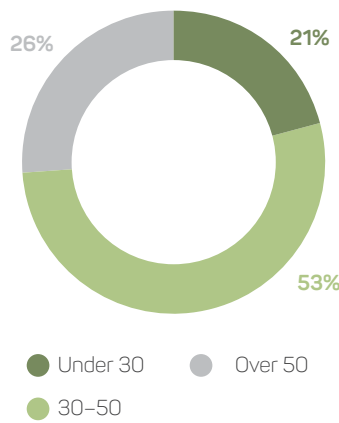
STRUCTURE AND FUNCTIONALITY OPTIMIZATION

In 2015, NLMK Group continued implementing a programme aimed at improving efficiency and identifying cost saving opportunities. We launched a set of

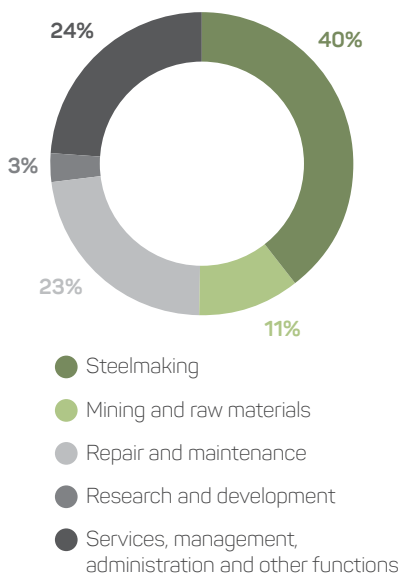
Personnel structure by asset geography



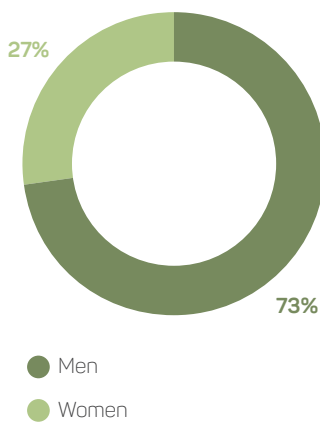
Personnel structure by age



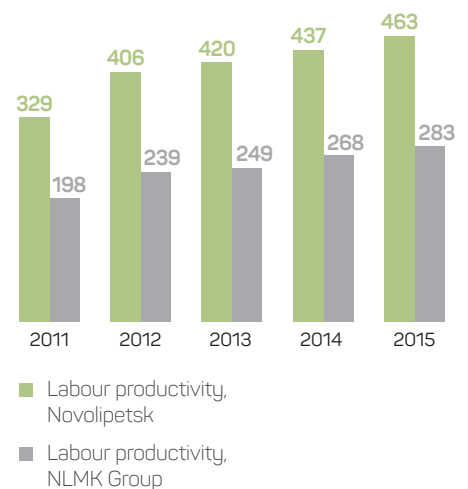
Personnel structure by function



Personnel structure by gender



Labour productivity





initiatives, including a successful pilot project to outsource Novolipetsk's steelmaking equipment maintenance and repairs to SMS Siemag Services. Some of the service functions, including catering and cleaning services were also outsourced.

Large-scale outsourcing enabled NLMK Group to improve service quality, bring down costs and cut personnel by moving support staff to external providers.

PERSONNEL MOTIVATION

Personnel motivation is one of the topmost priorities stated in NLMK Group's HR policy.

Our motivation system helps us improve the quality of work and achieve more. NLMK Group uses financial motivation, social motivation and psychological motivation.

The most effective technique currently employed by NLMK Group is result-oriented motivation, in which employee performance is measured with the help of key performance indicators (KPIs). By identifying KPIs for senior management and cascading them throughout the organization we can greatly improve labour efficiency and productivity across the Group. This principle serves as the basis for management by objectives (MBO), a system actively implemented across all NLMK Group companies in 2015.

Seeking to protect our employees from inflation, we index wages to keep up with the increase in price levels each quarter. The average monthly salary at NLMK Group companies increased by about 8% yoy in 2015, reaching 47,400 rubles at the Russian plants.

To attract and retain people, improve job satisfaction and generate internal motivation, we offer a number of non-financial incentives: badges or certificates of appreciation for employees who performed exceptionally well; stories about the best employees in the corporate newspaper; their portraits on the Recognition Board; free rides to work and back for employees from other cities; and management talent pool opportunities for successful and talented employees.

3,000 Novolipetsk employees received awards in 2015, including:

- 2,877 corporate awards
- 51 regional and city awards
- 55 industry awards
- 2 state awards



Contests and competitions are important elements of the incentive system. They help increase employee commitment to professional development and provide ample career growth opportunities. Novolipetsk alone held 37 skills competitions with over 2,000 participants in 2015.

Case study: The Young Leader contest held by Altai-Koks had 32 participants in 2015 and included corporate training that covered management and leadership skills, as well as a special module titled 'Mini Project Management'. More than 5,000 young employees participated in similar contests across NLMK Group companies in 2015.

NLMK Group companies annually hold Young Leader contests for young employees to stimulate their personal and professional development.

SOCIAL PACKAGE

As a responsible employer, NLMK continuously supports its employees by providing benefits.

All NLMK Group employees have access to such social benefits as provisions for employee health and welfare, catering and recreation, occupational health and safety, motherhood and childhood support, support for pensioners and veterans and further social incentives for the best workers as well as a variety of social packages.

Our female employees enjoy additional benefits beyond those required by law: flexible working hours for women with small children and professional training and development programmes following maternity leave.

NLMK Group also implements a comprehensive youth programme to provide additional support to young employees. Graduates of partner colleges and universities are offered a guaranteed average salary and kickoff bonuses upon employment.

NLMK has another good tradition: we give New Year presents to our employees' children and offer discounts on package holidays to children's summer camps.

Case study: Winners of the Housing for Young Steelworkers 2015 programme who work at Novolipetsk received keys to their new apartments in a ceremony that took place in July 2015. The programme is an annual not-for-profit social project targeted at top-performing employees aged below 35. The 32 young families will all live in the same section of a new apartment block in Lipetsk's 28th district. Four hundred and one young families of our employees have already been provided with housing since the start of the programme in 2005.

HEALTH AND WELFARE

The health and welfare of NLMK employees is a priority focus of the company's social activities. The health and welfare of its employees is a priority for NLMK Group, which focuses close attention on developing a strong corporate health culture, establishing the conditions for a healthier lifestyle and improving mental and physical health.

NLMK Group runs 3 medical units and over 25 first aid facilities to provide medical support. NLMK employees have the opportunity to make visits to health resorts and spas, both locally at 10 NLMK health resorts and spas, and in other regions of the country. NLMK allocated 100 million rubles (\$2 million) in 2015 towards health resort treatment for employees.

Healthy lifestyle programmes are aimed at involving as many employees as possible in sports activities; and at popularizing healthy life choices. Employees have the opportunity to use gyms located at NLMK facilities, to get discounts on memberships to swimming pool and fitness centres.

Case study: More than 3,500 employees participate in the 'NLMK Olympics' each year. The Olympics are held throughout the year in 19 different sports. The event also offers a chance to take GTO physical fitness tests.

The Company organizes regular sports and cultural events.

Summer camps are organized each year for the children of NLMK employees. Employees benefit from discounted trips to three different children's camps owned by the Company, as well as camps located on the coast of the Black Sea.

TALENT DEVELOPMENT

NLMK sees investment into personnel development as a prerequisite for the Company's long-term competitiveness, dynamic development, an increased potential of its human capital; and, ultimately, the increased fundamental value of the Company as a whole. In line with its Strategy 2017, NLMK Group continues to improve its professional development procedures.

Professional training at NLMK Group is a complex project that provides the level of employee qualification necessary for solving professional challenges. It also increases employee loyalty, forms a favourable social and psychological climate in the workplace and has a direct impact on the development of NLMK's corporate culture. The primary direction of our talent development efforts focuses on our talent pool – promising employees, performance reviews of managers and line personnel, mandatory knowledge tests for workers (knowledge checks), induction, coaching, leadership initiatives and skills competitions.

The year of 2015 marked the beginning of a new process for NLMK Group: we are assessing our managers and line and administrative personnel to determine whether they meet our job requirements. We look at how they perform their job duties and what personal and professional qualities they demonstrate. Following assessment, we devise individual training plans aimed at improving their performance and develop incentives to encourage them to work more efficiently.

Our talent pool is one of the uppermost priorities of the HR policy. We provide

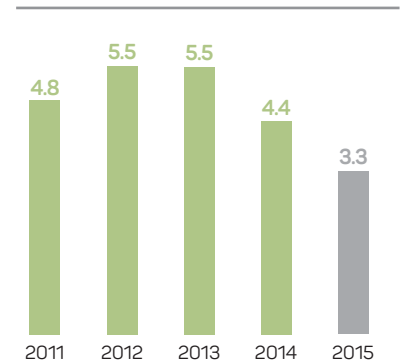
training to employees who are able to perform managerial work to get them ready for specific job openings. The programme includes theory (seminars and training sessions) and practical training in the prospective position.

NLMK places a great emphasis on working with promising young employees. Also, we have an induction programme that aims at supporting newcomers through the onboarding process and preparing them for their new role: they should be able to perform their tasks and meet deadlines, have a good understanding of their duties, be committed to them, and feel personally responsible for their work.

Case study: The year of 2015 saw the start of the fourth stage of 'NLMK Group Leaders 2025', a strategic talent pool development programme that provides high-quality training to the most promising employees. The training is delivered by world-renowned teachers and executives from global companies. The programme opens up new career and personal development horizons, motivating employees to reach what seemed to be unattainable. More than 50% of participants have been promoted – including to function directors – since the start of the programme.

About 90% of employees are trained in-house, enabling them to benefit from the wealth of knowledge accumulated by NLMK and providing for a more effective training process. Highly qualified managers and specialists as well as professors from leading Russian educational institutions are invited to teach employees.

Investment into professional development and training (\$ m)



Investment structure into professional development by area



OCCUPATIONAL HEALTH AND SAFETY

The Company aims to be a world leader in occupational health and safety (OHS) among steel companies through applying best available OHS practices, efficient risk management, through provision of incentives and by actively involving employees in the occupational safety programme.

NLMK'S OCCUPATIONAL HEALTH AND SAFETY POLICY

OHS is the cornerstone of efficient production

GOALS	<ul style="list-style-type: none"> ▪ Efficient accident – and incident-free operations; ▪ Achieving global leadership in occupational health and safety.
PRINCIPLES	<ul style="list-style-type: none"> ▪ Employees are NLMK's key value; their health and wellbeing are key to the success of our operations; ▪ Occupational health and safety is an integral part of our business and the basis for decisions on developing and improving our business processes; ▪ All accidents, incidents and professional illnesses can and must be prevented; ▪ Safe operations are the responsibility of each and every employee.
ACTIONS	<ul style="list-style-type: none"> ▪ Efficient management of potential risks to the health and safety of our employees, contractors and third parties; ▪ Strictly adherence to Russian and international occupational health and safety requirements; ▪ Continuous improvement of employee skills in the area of occupational health and safety; ▪ Ensuring the transparency of OHS indicators.
RESPONSIBILITIES OF MANAGEMENT	<ul style="list-style-type: none"> ▪ To ensure safe working conditions in line with OHS norms and standards; ▪ To allocate resources to ensure OHS compliance; ▪ To take measures to prevent accidents, incidents and professional illnesses; ▪ To introduce advanced OHS methods and technologies; ▪ To consult employees and their representatives on OHS issues; to motivate employees to work in a safe and incident-free environment; ▪ To regularly assess the quality of the Company's risk management system and ensure its constant improvement.
RESPONSIBILITIES OF EMPLOYEES	<ul style="list-style-type: none"> ▪ To take care of both one's own safety; and the safety of others; ▪ To strictly adhere to established OHS requirements and use of safe working methods; ▪ To actively participate in OHS programmes.

KEY OHS INITIATIVES IN 2015

NLMK Group's Russian plants carried out a routine assessment of working conditions and used their findings to plan improvements and to reduce the adverse effects of working in industrial settings.

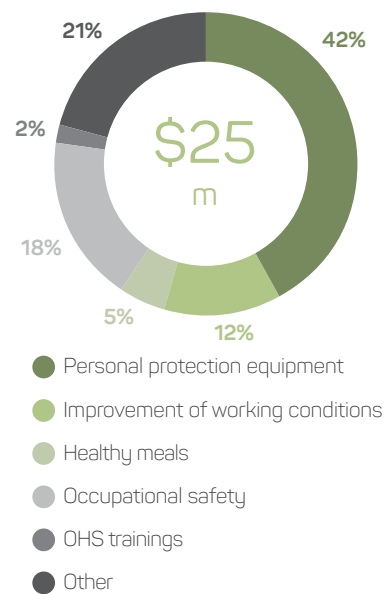
They also made an earlier planned transition to new corporate protective clothing designs and state-of-the-art high-efficiency personal protective equipment.

Senior executives of Russian and international NLMK Group companies completed training in an NLMK programme aimed at building a safety culture. The Group continued implementing its 'Risk Management' and 'In Search of Safety' programmes.

OHS COSTS

NLMK annually finances events aimed at the continuous improvement of OHS and working conditions. The Group spent a total of 1.5 billion rubles (\$25 million) on OHS initiatives in 2015. Its OHS spending has thus more than doubled since 2010, when measured in US dollars – and increased four-fold when expressed in rubles.

Breakdown of Occupational Health and Safety Costs



NLMK GROUP'S OCCUPATIONAL INJURY STATISTICS

NLMK Group achieved a significant reduction in occupational injury rates in 2015, as compared with 2014 levels:

- The total number of lost time injuries dropped 44 points, or 29% across all NLMK Group plants
- The number of work days lost due to work-related accidents fell by 34%
- Lost time injury frequency rate (LTIFR per 1,000,000 hours worked) among employees was down:
 - by 27% for NLMK Group;
 - by 22% for NLMK's Russian assets;
 - by 28% for NLMK's international assets.

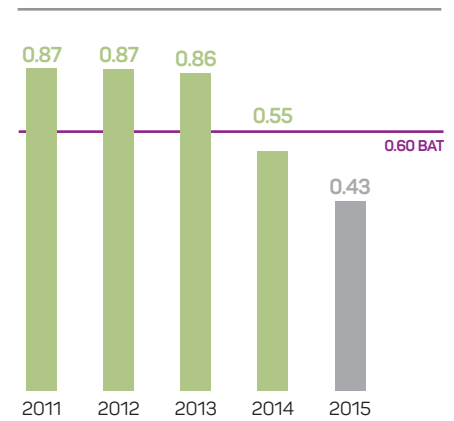
- Lost time injury severity rate (LTISR per 1,000,000 hours worked) among employees was down:

- by 33% for NLMK Group;
- by 26% for NLMK's Russian assets;
- by 37% for NLMK's international assets.

Ten NLMK Group companies had no lost time injuries at all in 2015.

Unlike 2014, when there was not a single work-related fatality, we were regrettably not able to avoid them in 2015. However, their number was smaller than in 2011, 2012 or 2013: four fatalities in Russia and one abroad.

Lost Time Injury Frequency Rate (LTIFR) – Russian Assets



TARGET OHS KPI

The efficiency of our OHS efforts is measured with the help of KPIs. Here is an overview of some of our OHS targets for 2015.

Key corporate social responsibility aspects	Targets for 2015	Performance in 2015	Progress	Targets for 2016
Occupational health and safety	Ensuring that the lost time injury frequency rate (LTIFR) at NLMK Group's Russian companies remains unchanged from 2014	Lost time injury frequency rate (LTIFR) dropped 22% from 2014	Target exceeded by 22%	Keeping lost time injury frequency rate (LTIFR) at NLMK Group's Russian companies below or equal to 0.60
	Reducing lost time injury frequency rate (LTIFR) at NLMK Group's international companies by 10% from 2014	The lost time injury frequency rate (LTIFR) at NLMK Group's international companies decreased by 28% from 2014	Target exceeded by 18%	Reducing lost time injury frequency rate (LTIFR) at NLMK Group's international companies by 10% from 2015
	Eliminating or reducing no less than 50% of identified unacceptable risks	72% of identified unacceptable risks eliminated or reduced	Target exceeded by 22%	Eliminating or reducing no less than 50% of unacceptable risks identified in 2016 that were also revealed in 2015
	Ensure that no less than 20% of employees (10,000) are involved in the 'In Search of Safety' programme	20,433 employees became involved in the programme	Target exceeded by 104%	Ensure that no less than 20% of employees (10,000) are involved in the 'In Search of Safety' programme

ENVIRONMENTAL SAFETY

NLMK Group's environmental efforts are focused on preventing – or where not possible, then minimizing – its negative environmental impacts, providing safe working conditions and creating a good living environment in the regions where it operates.

COMPREHENSIVE APPROACH TO ENVIRONMENTAL PROTECTION

NLMK undertakes to meet regulatory requirements and set higher environmental standards for its companies, bringing them in line with best environmental practices from around the world. This approach is part of our Strategy 2017, which aims at reducing the Company's emission rates and achieving best-in-class environmental performance.

Approved in 2015, NLMK Group's Environmental Policy describes the Company's environmental principles, targets, actions and commitments.

NLMK Group consistently adopts the best environmental safety management practices from around the world. Seven of our key plants have achieved international certification, and two more companies – NLMK Kaluga and Altai-Koks – plan to do so in 2016.

ENVIRONMENTAL INVESTMENT

A reduced negative impact on the environment is the result of NLMK Group's capex programme alongside planned environmental and technological initiatives outside of the investment process.

NLMK Group's investment into projects to ensure a reduced environmental impact

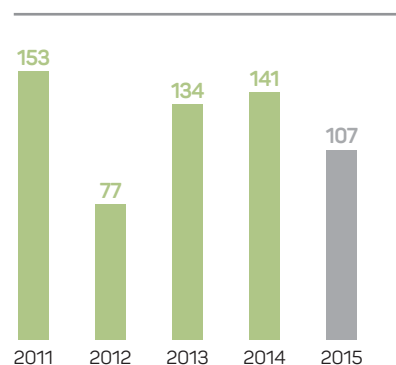
and the cost of environmental initiatives in 2015 totaled 6.5 billion rubles (\$107 million).

23.1 billion rubles (over \$600 million) was spent in total on environmental activities between 2011 and 2015.

Examples of environmental initiatives implemented in 2015

NLMK Group ran a number of major environmental initiatives at different stages of completion in 2015. All of them were aimed at reducing the Company's environmental impact.

NLMK's environmental investments (\$ m)



KEY ENVIRONMENTAL TARGETS

Targets for 2015	Performance in 2015	Progress (analysis)	Targets for 2016*
Reduce emission rate by 0.2 kg per tonne of steel compared with 2014 levels	Emission rate reduced by 0.2 kg per tonne of steel compared with 2014 levels	Target achieved	Reduce emission rate by 0.1 kg per tonne of steel compared with 2015 levels
Reduce water consumption by 0.4 cbm per tonne of steel compared with 2014 levels	Water consumption reduced by 0.5 cbm per tonne of steel compared with 2014 levels	Target exceeded by 0.1 cbm per tonne of steel	Reduce water consumption by 0.1 cbm per tonne of steel compared with 2015 levels
Increase NLMK Group's overall recycling rate by 15% of the 2011 levels	Recycling rate increased by 17% of the 2011 levels	Target exceeded by 2%	Increase recycling rate to 15%

* with steel production remaining at the same level in 2016.

For instance, an environmentally friendly waterless BG slag cooling technology was successfully implemented at the Lipetsk site, resulting in an 8-fold reduction in hydrogen sulphide content of emissions produced during this process.

The refractory shop completed the upgrading of dust collectors for rotary furnaces, which helped reduce dust emissions by about 200 tonnes a year.

Other NLMK Group companies also implemented major environmental initiatives, including:

- Equipment repairs and upgrades at Altai-Koks' coke batteries
- A new dust suppression system at Stoilensky's tailings pond (first stage)
- Filtering equipment upgrades for improved off-gas treatment at NLMK Kaluga's EAF.

REDUCTION OF ENVIRONMENTAL FOOTPRINT

NLMK’s systematic and consistent approach to environmental protection, alongside the high priority it gives to environmental initiatives guarantees continuous improvement of its environmental performance.

Air

In 2015, NLMK Group reduced its emission rate, the key environmental performance indicator – which is now very close to the best available technology levels. While the Company’s steel production was at the same level as in the previous years, emission rates dropped to 20.9

kg per tonne of steel, bringing the total decrease over the past five years to 25%.

Novolipetsk produces 81% of NLMK Group’s steel, and accounts for more than 80% of all emissions. This explains the plant’s heavy investment in environmental initiatives at all stages of the production process.

The Group’s mining companies (Stoilensky, Stagdok, and Dolomit) accounted for about 1% of the total emissions.

NLMK Group will continue to reduce its emission rate in 2016; the next target is to cut the rate by another 0.1 kg per tonne of steel.

Kaluga. The system enabled these facilities to stop polluting discharges into water bodies entirely.

NLMK Group will continue taking steps to reduce its water consumption in 2016; the next target is to cut it by another 0.1 cbm per tonne of steel.

Waste management

NLMK Group produced 63 million tonnes of waste in 2015 (just like the year before); 92% of this was attributed to Stoilensky.

Novolipetsk accounted for 7% of the waste produced in 2015. It is worth saying that the Group’s main production site was able to reduce its waste by 11% yoy thanks to a number of resource-saving initiatives.

While the other NLMK Group plants accounted for only about 1% of waste, they were also involved in the programme aimed at making more use of recycled materials.

The recycling rate at NLMK Group’s steelmaking companies in Russia exceeded 90% in 2015. Novolipetsk increased its recycling rate by 2 p.p., to 96%, and a number of NLMK Group companies managed to make use of accumulated waste. With a recycling rate of 110% and 102%, respectively, NSMMZ and Dolomit were among the most environmentally responsible NLMK Group companies.

As part of Strategy 2017, Novolipetsk plans to build a briquetting plant that will recycle accumulated ferrous waste into material used in pig iron manufacturing. With a capacity of 700,000 t briquettes, the new facility will make its contribution to improving the Company’s recycling rate. It is slated for launch in 2018.

The Lipetsk site is focused on improving its environmental performance and thus minimizing its environmental footprint. Hard work and massive investment enabled the plant to reduce its contribution to air pollution by almost 50% in the past 15 years. According to Rosgidromet (Russian Federal Service for Hydrometeorology and Environmental Monitoring), air pollution in Lipetsk is five times lower than 10 years ago, bringing it in line with cities with no industrial operations.

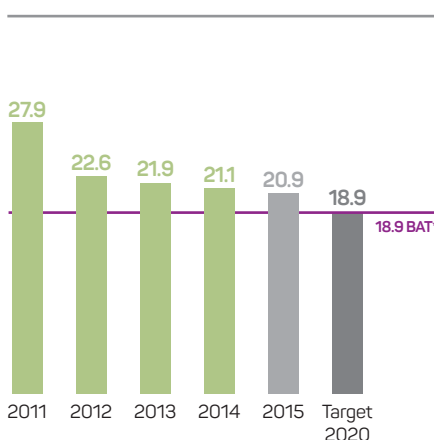
Water

One of the key indicators which reflects the impact of production on water bodies is the water consumption per tonne of steel.

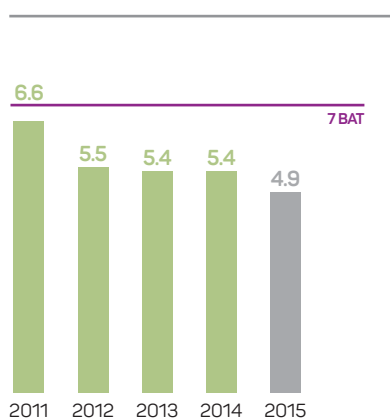
NLMK Group leads the way in this area, outperforming its global peers. With its unique technologies and efficient production, the Company was able to reduce water consumption to 4.9 cbm per tonne of steel in 2015 – compared to the best available technologies level at 7.0 cbm per tonne for integrated world producers.

This great care for one of the most important natural resources was made possible thanks to a closed loop water system introduced by Novolipetsk, Stoilensky, Altai-Koks, VIZ-Steel and NLMK

Specific air emissions (kg/t)



Specific water consumption (m³/t)



* BAT = best available technologies.

PUBLIC APPRAISAL OF NLMK GROUP’S ENVIRONMENTAL ACTIVITIES

In 2015, NLMK Group received a silver medal at Metal-Expo’2015 international industry awards for the successful implementation of its environmentally friendly waterless BG slag cooling technology at the Lipetsk site that resulted in an 8-fold reduction in emission of hydrogen sulfide.

With the same innovation NLMK Group topped the Urban Ecology nomination in the Vernadsky National Environmental Competition.

ENERGY EFFICIENCY

NLMK Group continued its efforts to increase operational and energy efficiency in 2015; the initiatives generated a total impact of 1.3 billion rubles (\$21 million).

These were achieved by a reduction in natural gas costs by over 270 million rubles through purchases at an organized trading venue; long-term gas supply contracts with NOVATEK that would meet 100% of the Russian companies' natural gas needs in 2016–2020; and improved utilization of process equipment to avoid downtime, etc.

The improvements helped NLMK Group's Russian companies achieve a 3% yoy decrease in energy consumption in 2015 despite the fact that production remained at the same level as it was in the previous years.

Key energy efficiency investment projects in 2015 included the launch of a 20 MW top-pressure recovery turbine (TRT) for Blast Furnace No. 7 at the Lipetsk site and air separation unit No. 17. Among other benefits, these projects increased Novolipetsk's self-sufficiency in energy from 54% to 57%. Almost 77% of all in-house energy was generated through the recovery of by-product BF and coke gases.

Initiatives to boost energy efficiency resulted in a 1% year-on-year improvement in the energy intensity of the Lipetsk site during 2015, to reach 5.66 Gcal per tonne of steel.

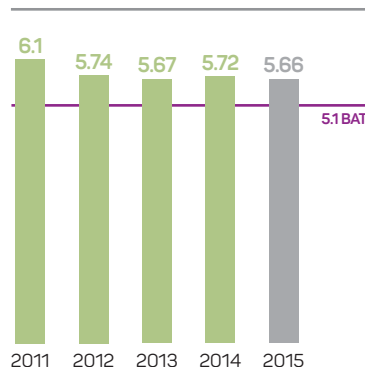
NLMK Group's target energy efficiency level is equal to the level of best available technologies (BAT). To achieve this target, we plan to implement a series of low-cost initiatives within the optimization programme, as well as local energy savings programmes at production sites and Strategy 2017 investment projects each year.

NLMK Group's energy management efficiency during 2015 was endorsed by international specialists. Representatives of the British Standards Institute (BSI) confirmed the compliance of the energy management system at Altai-Koks, Stoilensky, VIZ-Steel, NSMMZ, NLMK Metalware, and Novolipetsk with the requirements of the ISO 50001

In 2015, NLMK Group signed long-term agreements with NOVATEK for the supply of natural gas to all of NLMK Group's Russian production facilities. The contracts have been signed for a term of 5 years and will come into effect on January 1st, 2016. The agreements provide for the supply of an annual volume of 2.8 billion cubic meters of natural gas to NLMK Group's production facilities. This will cover 100% of NLMK Group's natural gas needs that were previously met by other companies.

international standard. Stagdok, Dolomit and NLMK Kaluga also successfully passed their energy management efficiency audits in 2015. Currently, all of the main NLMK Group Russian facilities have valid certificates of compliance with the requirements of the ISO 50001 international standard. This is the result of the Company's consistent approach to the generation, consumption and use of energy for the production of goods.

Specific energy intensity of steel production (Gcal/t)



Wastewater treatment plant at Novolipetsk



Sergey Chebotarev, NLMK Group Vice President for Energy, said: "In order to reach the level of best available technologies, in 2015 NLMK Group implemented a set of investment projects and a significant number of cost-efficient optimization initiatives. Key projects in the pipeline include the construction of a TRT for blast furnace No. 6; improved reliability of the energy supply to BOF shops; replacement of turbine-driven generator No. 5; completion of upgrades to bell-type furnaces at Novolipetsk rolling operations; and establishing the energy supply for the Stoilensky pelletizing plant currently under construction."

COMMUNITY DEVELOPMENT

SOCIAL RESPONSIBILITY MISSION AND STRATEGIC OBJECTIVES

Social mission

The Company sees its social mission as achieving sustainability goals, which meet the long-term economic interests of the business, contribute to community welfare, along with conservation of the environment and the observance of human rights within the territories of its operation.

Social responsibility and sustainability: NLMK's strategic goals

The combined efforts of the Company, its employees and communities are aimed at achieving the following strategic goals:

- Create a favourable and predictable social and economic environment for its employees and local communities;
- Improve corporate governance frameworks for economic, environmental and social activities of the Company;
- Comply with international environmental protection standards. Focus on the best state-of-the-art technologies;
- Observe business ethics principles, resist corruption and terrorism;
- Develop new types of products to meet customer expectations;
- Create an environment for the stronger performance by Company employees;

- Ensure sustainable improvements in welfare and social safety for Company employees and safe workplace environments.

IMPROVING THE SOCIAL ENVIRONMENT

Improving the quality of life for people that live in the regions in which the Company operates is one of NLMK's key social responsibility goals. The Company works with local communities; and the authorities at different levels; to strive to create new opportunities for using cutting-edge mechanisms for development of the regions where NLMK operates and to resolve the most burning social issues.

The Company makes a significant contribution to local employment, providing jobs with competitive salaries. Almost all our employees are local residents.

Pursuing a policy of regional responsibility produces economic benefits for the Company including development of the potential of the labour force; as well as improved engagement with local communities and creation of comfortable living conditions for Company employees.

NLMK creates comfortable and safe working conditions in order to stimulate personnel development; and strives to provide workers with an adequate standard of living. The level of salaries at all Group companies exceeds average



NLMK employees celebrate Steelmaker's Day in a track-and-field meet

The combined efforts of the Company, its employees and communities are aimed at achieving the following strategic goals:

Key aspects of corporate responsibility	2015 objectives	2015 results	Achievement of set objectives: analysis	2016 objectives
Engagement with local communities Development of regions where NLMK operates	To implement initiatives that promote the sustainable development of the regions where the company operates and maintain social and economic stability in local communities.	Investment in social needs and the development of the regions where the company operates totaled 3.3 billion rubles (\$54 million) in 2015; whilst over 400 million rubles (\$7 million) was allocated to charity. NLMK was ranked one of the top five socially responsible companies in a study by the Agency of Political and Economic Communications	2015 objective achieved NLMK Group actively participated in the development of the regions where its assets operate	To continue implementing measures to promote the sustainable development of the regions where the Company operates



income levels in the regions in which they operate, which attracts new workers to the Company. NLMK implements several dozen social programmes.

NLMK GROUP'S INVESTMENTS IN THE REGIONS IN WHICH IT OPERATES

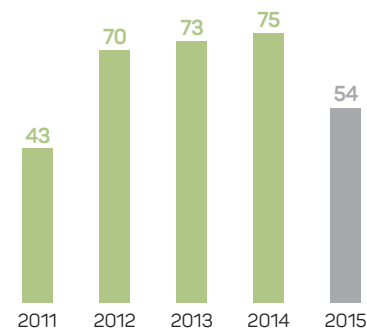
Financing for social programmes is a key prerequisite of their efficiency. The Company is focused on projects that ensure tangible improvement of the quality of life for people in the regions in which it operates.

NLMK consistently finances programmes aimed at promoting education, healthcare, and culture. Promotion of sport is an important area for the Company, including for children.

Key areas of social investment:

- Promotion of sport and healthcare
- Promotion of education and culture

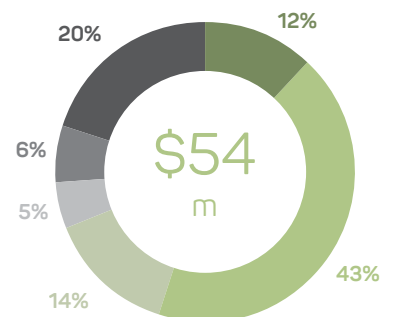
NLMK Investment in social projects (\$ m)



- Work with children and young people
- Charitable activities.

NLMK Group's social investment at its Russian sites totaled 3.3 billion rubles (\$54 million) in 2015.

2015 Investment structure in social projects



- Sport
- Healthcare
- Education
- Culture
- Work with children and young people
- Charitable activities

PROMOTION OF SPORT AND HEALTHCARE

The Company sees the promotion of welfare and a healthy lifestyle for its employees and people in regions in which it operates as a priority of its social responsibility. Special focus is placed on involving children and young people in regular sports activities.

NLMK provides assistance to sports groups and schools for children and young people, as well as to sports clubs and athletes. Funds are allocated for the maintenance of sports facilities and buildings (stadiums, sports complexes, sports halls), and the purchase of sports equipment.

NLMK finances the 'Lipetsk Metallurgist' sports club that is successfully promoting sport in Lipetsk and creates the conditions for Novolipetsk employees and the members of their families, as well as all other Lipetsk dwellers, to practice sports.

One of the most modern shooting clubs in Russia; a shooting range; and the 'Novolipetsky' health and welfare centre for summer and winter sports are all located in Lipetsk. The shooting club is equipped with top-notch equipment which means it can host international competitions.

The Company has medical centres in Lipetsk, Belgorod and Sverdlovsk Regions; and in the Altai Republic; that provide high-quality medical care for NLMK employees and people living in the regions.

PROMOTION OF EDUCATION AND CULTURE

NLMK has a comprehensive programme to support the younger generation receiving a quality education by creating its own talent pool of driven and technically qualified personnel.

Colleges and universities NLMK supports organize 'Open Doors' days for school students. The Company organizes site visits, competitions, contests, and scientific conferences.

NLMK cooperates with over 30 colleges and universities. Around 4,000 technical college students take internships at NLMK Group companies each year. NLMK runs special scholarship programmes for higher professional education students in order to provide additional social support to gifted students.

NLMK's career guidance programme involves school students; and is aimed at helping students to make conscious career choices and to satisfy the Company's personnel requirements in key areas by studying in colleges and universities certified and supported by NLMK, with subsequent employment at the Company. Over 11,000 students from 72 schools in Lipetsk and Lipetsk Region participated in career guidance initiatives in 2015.

NLMK provides comprehensive support for its partner colleges and universities, which started introducing a dual education system on the Company's initiative in 2015. The programme combines education at the college or university with apprenticeships in the Company.

Other NLMK Group companies also have many youth programmes. For example, Altai-Koks has partnered with three local schools, and more than 200 school students took part in career guidance events.

NLMK provides support to children's creative clubs, studios, libraries, museums, and art galleries, and also allocates funds for the protection and proper maintenance of cultural and architectural monuments and other objects of cultural and historical value.

WORK WITH CHILDREN AND YOUNG PEOPLE

NLMK invests a lot of effort into organizing healthy recreational activities for children. During the summer vacation the Company arranges trips for children of its employees to summer camps; which are also open to children from low-income families and orphans.

Through sponsorship and charitable assistance, NLMK invests in improving the material and technical infrastructure of preschools, schools, colleges, professional schools, children's creative centres, children's homes, and boarding schools.

Special emphasis is placed on patriotic education. Together with organizations of war veterans and trade unions, NLMK organizes meetings with veterans and visits to war memorials; as well as lessons on bravery in schools and colleges.

CHARITABLE ACTIVITIES

NLMK contributes to charities through its own charitable organizations as well as through direct contributions to other charities.

The 'Miloserdiye' ('Mercy') social protection fund, founded by Novolipetsk, runs 11 programmes that cover all aspects of social support. Priority areas include support for orphans, low-income households, pensioners and differently-able persons; as well as people that have found themselves in challenging life situations

Over 30,000 people from Lipetsk Region that require additional social support receive help annually. Funds are allocated to pay for long-term medical treatment, medicine, technical rehab means, trips to resorts and children's camps and preparation for the beginning of the academic year; as well as other social projects.

The 'Zabota, pomoshch, miloserdiye' ('Care, help, mercy') charity fund in Sverdlovsk

Region helps promote sports and protect cultural heritage; also supporting veterans and pensioners.

NLMK held a series of events to celebrate the 70th anniversary of the end of World War II. Celebrations, meetings and concerts were organized to honour the veterans and home-front workers. All our veterans received medals, letters of appreciation and gifts from employees of NLMK Group companies.

NLMK allocated over 400 million rubles (\$7 million) to charity programmes in 2015.

NLMK employees created the www.Pobeda48.ru internet portal, a regularly updated website that has a database of NLMK and Lipetsk Region veterans who participated in the war. It is based on archive documents about those that participated in the war, home-front workers, survivors of the Leningrad blockade, and concentration camp prisoners.



COMMUNICATIONS

TRANSPARENCY AND REPUTATION MANAGEMENT

NLMK Group follows best global practice in interacting with stakeholders: employees, local communities, shareholders, investors, customers, business partners, mass media, government authorities and non-profit organizations. Constructive dialogue is facilitated by transparency, which has been traditionally maintained across the Group. We use all available communication channels to keep the public informed promptly and in detail: websites of NLMK Group and its companies, press releases, comments in mass media, press tours, press conferences, posts on social networks and multimedia websites, our corporate newspapers, portal and magazines, and employee feedback channels.

NLMK Group strives to provide the public with more information than it is required by disclosure laws, because we are convinced that openness and transparency strengthen our reputation as a socially responsible, efficient and sustainable multinational company.

EFFECTIVE EXTERNAL COMMUNICATIONS

NLMK Group made more extensive use of communication channels targeted at external audience in 2015, publishing about 600 press releases dedicated to its investment, production, financial, social, environmental and other activities. The management of NLMK Group and its companies continued its open communication with journalists and the professional community through press conferences, interviews and participation in industry-related and economic conferences and exhibitions.

Seeking to improve the quality of information about the Company and facilitate the process of obtaining and analyzing this data, NLMK Group updated its official website (www.nlmk.com), adding new and advanced functionality, and a wide range of information about its activities.

We have had a lot of positive feedback from our customers and partners about our new product catalogues and our first global online website dedicated to NLMK products (products.nlmk.com).

VOICE OF EMPLOYEES

NLMK Group continues developing an effective internal communications system that covers all production sites and encompasses several advanced communication channels:

- Extensive feedback network
- Corporate-wide intranet
- Corporate newspapers issued by NLMK Group's Russian companies
- NLMK Group corporate magazine available in Russian and English
- Newsletters at NLMK Europe companies
- NLMK-TV with stories streamed on the intranet

In 2015, NLMK Group's corporate mass media published over 1,700 items that helped employees promptly get latest information on the industry and company-related events, operational and social programmes, and development and career growth opportunities.

An important corporate communications trend seen in 2015 was the growing share of news items based on employees' feedback received through telephone hotlines, complaint boxes, and emails to newspapers and the magazine, as well as through new channels such as text messages and a special service on NLMK Group's corporate portal. The new feedback channels expanded employees' opportunities for contacting management on urgent issues and doing it anonymously. The Company will continue to develop its feedback channels, which play an important role in improving employee motivation and loyalty.

RECOGNITION

NLMK Group's corporate media has always been highly rated on top-lists and by media awards.

NLMK Group corporate intranet:

- A project to develop NLMK corporate portal's media centre by a PR specialist won Young People in Media Landscape and was granted 100,000 rubles at an



international corporate youth project awards.

- NLMK's project titled 'Corporate portal: platform for development of internal communications' was ranked among the top three in the Best Internal Communications and Corporate Media Project category at the 19th Silver Archer national public relations awards.

NLMK Group magazine:

- Named Best Corporate Media of the Year 2015.
- Recognized as best corporate media at Metal-Expo'2015.



- Topped the list of the best corporate magazines issued by industrial companies, which was compiled by Production Management magazine in 2015.
- Topped the Well-Written Media list in 2015.

The Big Ore newspaper (Stoilensky):

- Named Best Publication of an Ore Mining Company at Metal-Expo'2015.

NLMK-TV:

- Won Best Directing and Editing, and Best Host at Silver Threads Awards in 2015.

- Named Best Digital Corporate Media at Metal-Expo'2015.

NLMK Group's corporate videos:

- NLMK Group's Made of Steel video awarded the Grand Prix at the Moscow International Festival of Corporate Videos in 2015.
- NLMK Group's Special Steel video won Best Corporate Video, Corporate Image and Best Infographics at Silver Threads Awards in 2015.
- NLMK Group's Special Steel video won Best Audio Engineering at Metal-Vision'2015.

- Steel Symphony, a New Year video, won Best Cameraman and Best Musical Score at Best Corporate Video 2016 Awards.

NLMK'S DIALOGUE WITH INVESTORS AND ANALYSTS

Openness and transparency are at the core of NLMK's information policy. This approach helps us maintain a high level of trust between NLMK and all its stakeholders.

NLMK shares are traded on the Moscow Exchange, while its global depository shares are listed on the London Stock Exchange. Furthermore, NLMK's debt



securities – bonds denominated in both rubles and Eurobonds – are traded in the Russian and foreign markets.

NLMK Group uses numerous effective tools for communicating with investors and analysts. Such tools range from regular disclosure of the Company's performance data to meetings with partners and potential investors.

Capital Markets Day 2015

On 30 March 2015, London hosted Capital Markets Day 2015 where NLMK Group's key managers spoke about the Company's progress toward achieving its Strategy 2017 targets. The event was attended by Independent Director Helmut Wieser, who spoke about the efficiency of NLMK's corporate governance. The meeting also featured a presentation of NLMK's updated dividend policy – which was later approved by the Group's Board of Directors. <http://nlmk.com/en/investor-relations/cmd/>

Disclosure of operating and financial performance

In the interests of keeping its investors continuously informed, NLMK publishes its operating and financial performance data each quarter.

Reports on the Company's operating results include overviews of industry trends, the current situation in the steel and mineral markets, and forecasts for the near future.

The Group discloses its consolidated financial results and reports under IFRS. Before the third quarter of 2015, NLMK had reported under US GAAP.

<http://nlmk.com/en/investor-relations/reporting-center/>

Visits to production sites

For those who wish to get deeper insight into our business model and steel production process, we annually organize visits to production sites where guests can see the key production facilities and talk with the management.

NLMK Group offered tours of its key production sites in 2015 as well. The Group holds between three and six visits to its production sites annually.

For the schedule of upcoming tours, please contact our Investor Relations team (st@nlmk.com).

Industry-related and analytical events

In 2015, the Company's key managers attended a number of industry conferences held in Russia, the UK, the USA and continental Europe. These events featured over 370 group and face-to-face meetings with investors where a wide range of issues were discussed – including industry trends, implementation of the strategy and NLMK's achievements.

Recognition

The Company's efforts to disclose as much information on its activities and prospects as possible are highly appraised by the market.

Extel Survey ranked NLMK among the top ten European companies (in the metals and mining sector) for investor relations in 2015. Additionally, NLMK won IR magazine Russia & CIS Awards as one of the best Russian mid-cap companies for investor relations.

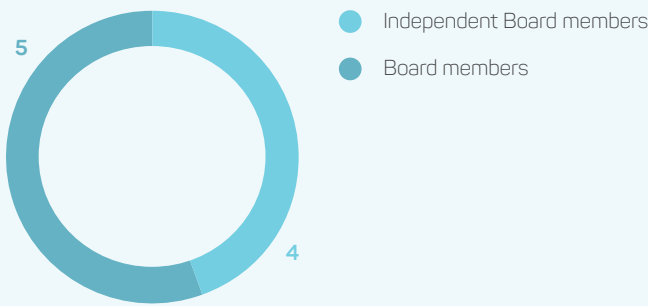
Corporate governance review

4 out of 9 Board members are independent directors
 Independent directors chair **2 out of 3** Board committees
2 out of 3 Remuneration committee members are independent directors

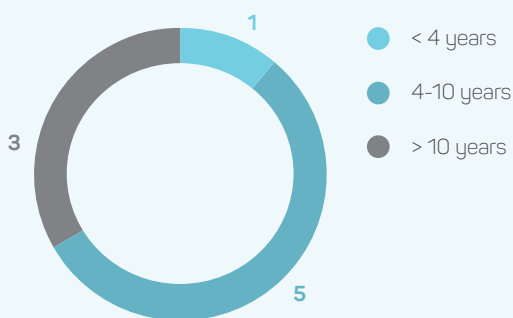
Corporate governance efficiency assessed as **high**
100% of top managers are members of the Company's governance bodies
New dividend policy provides more transparency and visibility, consistent with interests of all stakeholders



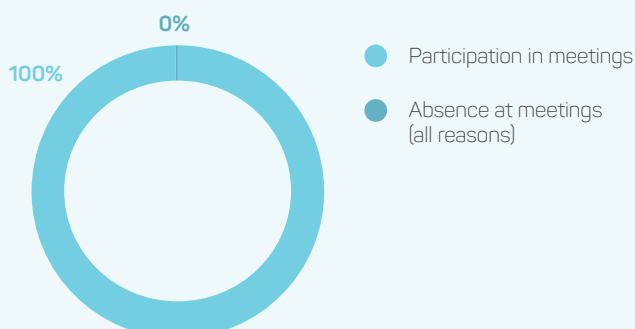
BOARD OF DIRECTORS' STRUCTURE



NLMK BOARD MEMBERS' LENGTH OF TENURE



PARTICIPATION OF TOP MANAGERS IN MEETINGS OF THE COMPANY'S GOVERNING BODIES



3
 General Shareholders' Meetings



12
 Board meetings



44
 meetings of the Management Board

Key 2015 corporate governance events



CHANGES IN THE DIVIDEND POLICY

In 2015, the Company updated its dividend policy to ensure higher visibility of dividend payments. From 2015, dividends are paid on a quarterly basis subject to meeting the targets on net profit and free cash flow.



ENHANCEMENT OF INDEPENDENT DIRECTORS' ROLES IN THE COMPANY'S GOVERNANCE BODIES

The Board of Directors was elected at the Annual General Shareholders' Meeting in June 2015 and included 4 independent directors (3 independent directors in the previous Board composition). In 2015, independent directors chaired 2 out of 3 Board committees. This enabled NLMK to enhance the roles of independent directors' in the Company's governance bodies.



ADOPTION OF REVISED CORPORATE DOCUMENTS

In 2015, corporate governance bodies approved the revised versions of corporate documents, including the Charter, Corporate Governance Code, Regulations of General Shareholders' Meeting, Regulations of the Board of Directors, etc. The amendments in the documents mostly reflect the recommended corporate governance practices, including the OECD principles of corporate governance and recommendations of Bank of Russia.

Modular Annual Report of NLMK for 2015



ABOUT NLMK

- NLMK Profile
- Business model and value chain
- Geography of assets and sales
- Strategy in action
- Key highlights



SUSTAINABILITY

- NLMK employees
- Health and safety
- Environmental protection
- Engaging stakeholders



CORPORATE GOVERNANCE

- Leadership of NLMK
- Governance system
- Risk management
- Information for shareholders

MANAGEMENT COMPOSITION

BOARD OF DIRECTORS

NLMK Board of Directors was elected on 5 June 2015. There are 4 independent directors on the Board.

Main functions of the Board of Directors:

- To develop and implement the corporate strategy
- To approve priority business areas for the company
- To assess risks
- To approve budgets and business plans
- To set target indicators
- To assess the performance of the company and its bodies
- To control large-scale capital expenses; asset acquisition and sale transactions, etc.

Related corporate documents:

- Charter of NLMK
- Corporate Governance Code
- Regulations of the Board of Directors
- Remuneration and compensation to members of the Board of Directors

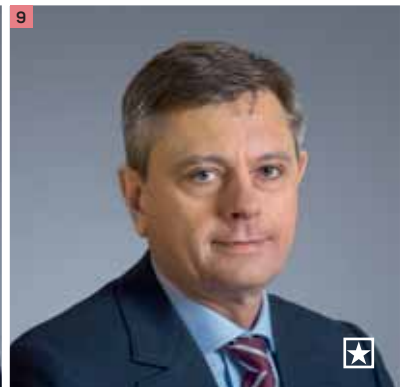
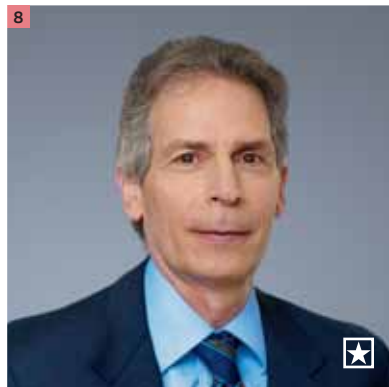
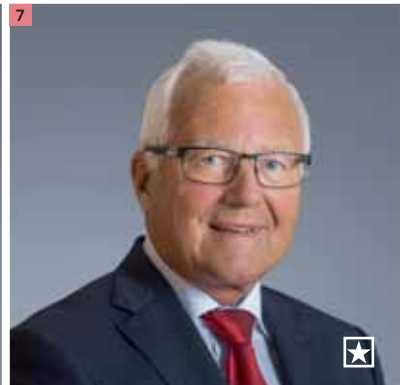
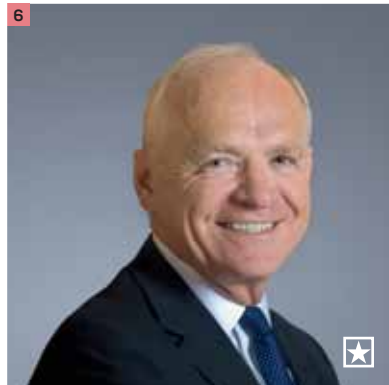
Composition of the Board of Directors of NLMK as at 31 December 2015

Full name	Position	Years on the Board	Independent	Participation in Strategic Planning Committee	Participation in Audit Committee	Participation in Human Resources, Remuneration and Social Policies Committee
Vladimir Lisin	Chairman of the Board of Directors	19		Chairman		<input checked="" type="checkbox"/>
Oleg Bagrin	Member of the Board of Directors	11		<input checked="" type="checkbox"/>		
Benedict Sciortino	Member of the Board of Directors	4	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Chairman	
Helmut Wieser	Member of the Board of Directors	5	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Nikolai Gagarin	Member of the Board of Directors	14			<input checked="" type="checkbox"/>	
Karl Doering	Member of the Board of Directors	9		<input checked="" type="checkbox"/>		
Karen Sarkisov	Member of the Board of Directors	6		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Franz Struzl	Member of the Board of Directors	5	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Stanislav Shekshnya	Member of the Board of Directors	1	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	Chairman

Board of Directors
as at 31.12.2015

 Executive director

 Independent directors



1 Vladimir Lisin Year of birth: 1956

Chairman of the Board of Directors

Participation in BoD committee meetings

Member of the Human Resources, Remuneration and Social Policies Committee; and Chairman of the Strategic Planning Committee.

Length of tenure

Board member since 1996, Chairman of the Board since 1998.


Professional experience

Started career in 1975 as electrical fitter. Worked at Tulachermet, rising through the ranks from assistant steelmaker to deputy shop manager. From 1986 worked in Kazakhstan, first as Deputy Chief Engineer, and later Deputy CEO of the Karaganda Steel Plant. Member of Boards of Directors of several leading Russian steel companies since 1993.

Education

Graduate of Ordzhonikidze Siberian Metallurgic Institute, majored in Ferrous and Non-Ferrous Foundries. In 1990, graduated from the Higher School of Commerce with the All-Russian Foreign Trade Academy decorated with the order of International Friendship. In 1992, graduated from the Academy of National Economy under the Government of the Russian Federation, majored in Economics and Management. Ph.D., Tech.; Ph.D., Ec.; Professor, Associate Fellow of Russian Academy of Natural Sciences. Winner, USSR Council of Ministers prize for Science and Technology. Honorary Metallurgist of the RF. Knight of the Order of Honor.

2 Oleg Bagrin Year of birth: 1974

 Member of the Board of Directors, President (Chairman of the Management Board)

Participation in BoD committee meetings

Member of the Strategic Planning Committee.

Length of tenure

Member of NLMK Group Board of Directors (executive director) since 2004,

President (Chairman of the Management Board) of NLMK since 2012.

Professional experience

Board member of a number of NLMK subsidiary and affiliate companies: NLMK International B.V. (Netherlands), NLMK Pennsylvania LLC, NLMK Indiana LLC, Sharon Coating LLC (USA). Chairman of the Board of Directors of investment company Libra Capital, management company Libra Capital, Moscow; Board member of Freight One, a railroad transportation company.

Education

Holds a graduate degree in Operations Research and a post-graduate degree in Economics from State Management University, Moscow and a degree in Business Administration from the University of Cambridge, UK.

3 Nikolai Gagarin Year of birth: 1950

Member of the Board of Directors

Participation in BoD committee meetings

Member of the Audit Committee.

Length of tenure

Board member since 2001.

Professional experience

In 2003 – being Managing Partner – he was appointed Chairman of the Board at Reznik, Gagarin, and Partners Law Offices. Chairman of the Board, Managing Partner at Reznik, Gagarin and Partners Law Offices, Moscow, since 2009.

Education

Graduate of Moscow State University, majored in Law.

4 Karen Sarkisov Year of birth: 1963

Member of the Board of Directors

Participation in BoD committee meetings

Member of the Strategic Planning Committee and member of the Audit Committee.

Length of tenure

Board member since 2010.

Professional experience

He serves as an Aide to the Chairman of the Board of Directors on External

Economic Relations. He is also a member of the Board of Directors at NLMK International B.V.

From 2006 to 2007 Mr. Sarkisov served as the Chairman of the Board of Directors of VIZ-Steel. From the early 1990's to 2008 he worked at steel trading companies holding various executive positions at a number of international trading entities.

Education

Graduated from the Tashkent State University majoring in Oriental Studies.

5 Karl Doering Year of birth: 1937

Member of the Board of Directors

Participation in BoD committee meetings

Member of the Strategic Planning Committee.

Length of tenure

Board member since 2006


Professional experience

Currently heads Project Consulting, a consulting company. Represented the French USINOR in Central and Eastern Europe. Between 1967 and 2000 held senior positions in metallurgical companies in Eastern Germany. From 1979 to 1985 was Deputy Minister, Mining, Metals and Potassium Industry Ministry, German Democratic Republic, supervised technology development and capital expenditures.

Education

Graduated from the Moscow Institute of Steel and Alloys. Ph.D., Tech.; Ph.D., Ec.

6 Helmut Wieser Year of birth: 1953

 Member of the Board of Directors, Independent director

Participation in BoD committee meetings

Member of the Strategic Planning Committee and member of the Human Resources, Remuneration and Social Policies Committee.

Length of tenure

Board member since 2011 (independent director).

Professional experience

Helmut Wieser was an Executive Vice President of Alcoa and Group President responsible for Alcoa's global mill products and rigid packaging businesses till November 2011. He also oversaw Alcoa's businesses in the Asia Pacific region, with a focus on China, the Australian rolled products businesses and Alcoa's operations in Russia. In addition, Helmut Wieser was a member of the Alcoa Executive Council, the senior leadership group that provides strategic direction for the company. He also serves on the board of governors of the International Graduate University in Washington, D.C. on Capitol Hill. Before joining Alcoa, Helmut Wieser worked for Austria Metal Group (AMAG) for 10 years, holding a series of management positions in its rolled products unit, culminating in 1997 as an executive member of the board and chief operating officer. Earlier, he held several senior management positions with Voest Alpine in Austria and Venezuela, including President of Voest Alpine Venezuela. Member of the Management Board at AMAG Austria Metall AG since March 2014; and Chief Executive Officer since April 2014.


Member of the Board of Directors (Independent Director) at Rain Carbon Inc. since 2014.

Education


Helmut Wieser received a Master's degree in Mechanical Engineering and Economics in 1981 from the University of Graz.

7 Franz Struzl Year of birth: 1942

 **Member of the Board of Directors, Independent director**

 **Participation in BoD committee meetings**

Member of the Audit Committee and member of the Strategic Planning Committee.

 **Length of tenure**

Board member since 2011.

Professional experience

In 1967 Franz Struzl joined Alpine Steelgroup, later renamed Voestalpine AG, based in Linz, Austria, serving the Company for over four decades. During

his career at Voestalpine Franz Struzl held various positions in a number of fields including strategic planning, commercial and technical areas. In 1981 he was appointed Chief Financial Officer before becoming Chief Executive Officer of Voestalpine Long Products Group and a member of the Executive Board in 1991. From 1995 until 2001 he served as Vice Chief Executive Officer of Group. In 2001 Franz Struzl was appointed as Voestalpine Group Chief Executive Officer and Chairman. He held the position until 2004, when he moved to become Chief Executive Officer of Voestalpine, Brazil – Villares Metals, remaining there until 2010. From 2011 he is General Director of RHI AG.

Education

Franz Struzl graduated from the University of Economics, Vienna in 1964.

8 Benedict Sciortino Year of birth: 1950

 **Member of the Board of Directors, Independent director**

 **Participation in BoD committee meetings**

Chairman of the Audit Committee and member of the Strategic Planning Committee.

 **Length of tenure**

Board member since 2012


Professional experience

From 1977 to 1995 Benedict Sciortino worked as an attorney-at-law and a partner with Baker & McKenzie, New York. He joined Duferco in 1995. Now he serves as a member of the Board of Directors of Duferco S.A. responsible for Duferco Group North American and South African business as well as trading operations, finance and legal matters, mergers and acquisitions. Mr. Sciortino serves as a director of several operating companies.

Education

Mr. Sciortino graduated from Queens College, New York with a BA degree and received JD and LL.M. degrees from New England School of Law (Boston, MA) and New York University Law School, New York.

9 Stanislav Shekshnya Year of birth: 1964

 **Member of the Board of Directors, Independent director**

 **Participation in BoD committee meetings**

Chairman of the Human Resources, Remuneration and Social Policies Committee and member of the Audit Committee.

 **Length of tenure**

Board member since 2015.

Professional experience

From 1991 to 2002, Dr. Shekshnya held the positions of Director of Human Resources for Otis Elevator in Central and Eastern Europe, President and CEO of Millicom International Cellular in Russia and CIS, Chief Operating Officer of VimpelCom, and CEO of Alfa-Telecom. He has served as Chairman of SUEK, Vimpelcom-R and as Director of a number of Russian and Ukrainian companies. Stanislav was an independent director at DTEK BV, Ilim Timber Industry and Ener1. Currently Dr. Shekshnya is an independent director at Dentsu Aegis Network Russia Board of Directors. In 2002, Stanislav Shekshnya co-founded Zest Leadership International Consultancy.

Currently Stanislav Shekshnya is a Senior Partner of Howell Zest, Talent Equity Consulting Company, which has offices in Moscow, Paris, St. Petersburg, Kiev, Almaty and Riga. He focuses on leadership, leadership development, corporate governance and business in emerging economies. Dr. Shekshnya also provides personal coaching to business owners and corporate executives.

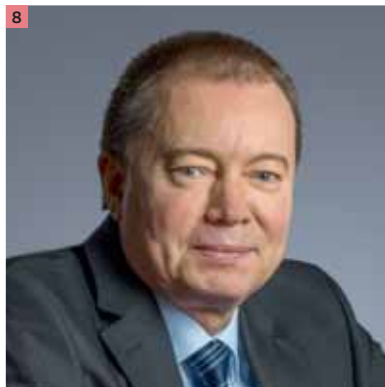
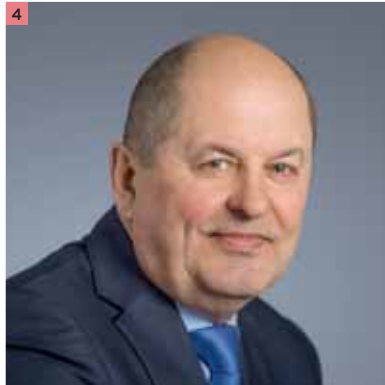
Dr. Shekshnya is an Affiliate Professor of Entrepreneurship at INSEAD. He has over 15 years of graduate level teaching experience in Russia, France and United States; and is the author, co-author, or editor of 7 books, and numerous articles, executive commentaries, interviews and case studies on entrepreneurship, leadership, people management, intercultural management and business and management in Russia.

Education

Stanislav Shekshnya has a Master's Degree in Economics, a Ph.D. from Moscow State University, and an MBA from Northeastern University in Boston.

MANAGEMENT BOARD
as at 31.12.2015

 President (Chairman of the Management Board)



MANAGEMENT BOARD

The NLMK Group Management Board as at 31 December 2015 consists of 9 members and holds regular meetings. Members of the Management Board are in charge of the Group's every-day operations. They also monitor subsidiaries and affiliates, and other legal entities


Related corporate documents:

- Charter of NLMK
- Corporate Governance Code
- Regulations on Management Board

Composition of the Management Board as at 31 December 2015

Full name	Position
Oleg Bagrin	Member of the Board of Directors President (Chairman of the Management Board)
Brijesh Garg	Vice President, Procurement
Ilya Gushchin	Vice President, Sales
Yuri Larin	Vice President, Technology Development & Operational Efficiency
Sergey Likharev	Vice President, Logistics
Alexander Saprykin	Vice President, Strategic Raw Materials Division
Grigory Fedorishin	Vice President, Finance
Sergey Filatov	Managing Director
Stanislav Tsyrlin	Vice President, HR & Management System

1 Oleg Bagrin Year of birth: 1974

 Member of the Board of Directors, President (Chairman of the Management Board)

Length of tenure

Member of NLMK Group Board of Directors (executive director) since 2004, President (Chairman of the Management Board) of NLMK since 2012.

Professional experience

Board member of a number of NLMK subsidiary and affiliate companies: NLMK International B.V. (Netherlands), NLMK Pennsylvania LLC, NLMK Indiana LLC, Sharon Coating LLC (USA). Chairman of the Board of Directors of investment company Libra Capital, management company Libra Capital, Moscow; Board member of Freight One, a railroad transportation company.

Education

Holds a graduate degree in Operations Research and a post-graduate degree in Economics from State Management University, Moscow and a degree in Business Administration from the University of Cambridge, UK.

2 Brijesh Garg Year of birth: 1964

Vice President, Procurement

Length of tenure

Member of the Management Board since 2012

Professional experience

He started his career in 1985 with Tata Steel, India as Industrial Engineer and moved through various positions within the company and worked with other steel plants in New Zealand Steel (BlueScope Steel, Australia) and ArcelorMittal, Kazakhstan & Ukraine. He has about 14 years of experience in supply chain management and business processes re-engineering in steel industry and 13 year of experience in industrial engineering.

Education

Holds a Bachelor of Engineering degree with a major in Industrial Engineering, has CPIM Certification from American Production and Inventory Control Society (APICS) and is a certified SAP Solution Consultant.

3 Ilya Gushchin Year of birth: 1976

Vice President, Sales

Length of tenure

Member of the Management Board since 2014.

Professional experience

From 2009 to 2013 he worked for SIBUR Group, including as head of SIBUR International; the group's export division. From 2008 to 2009, he served as Financial Director at Skolkovo School of Management, Moscow. From 2002 to 2007, he held various positions at Microsoft.

Education

Ilya Gushchin holds a Ph.D. in Economics; and is a graduate of the Faculty of Economics, Moscow State University.

4 Yuri Larin

Year of birth: 1952

Vice President, Technology Development & Operational Efficiency

Length of tenure

Member of the Management Board since 2006.

Professional experience

From 2007 to 2013, Mr. Larin was NLMK Vice President for Long-Term Development & Environment. Vice President for Technical Development and Environment, NLMK, from 2006 to 2007. Prior to that he was Director of the NLMK Engineering Centre from 1999 to 2006, and from 1996 to 1999 he worked as Deputy Director of NLMK's Central Laboratory in charge of technology.

Education

Graduate of the Voronezh Polytechnic Institute. Ph.D., Tech. Honorary metallurgist of Russia.

5 Sergey Likharev

Year of birth: 1964

Vice President, Logistics

Length of tenure

Member of the Management Board since 2014.

Professional experience

Sergey Likharev joined NLMK in October 2013. From 2012 to 2013 he was Aviation Business Director at Russian Machines Group; and Chairman of the Board of Directors of the Aviacor aviation plant. After serving as CEO of Aviacor Aviation Plant in Samara from 2004 to 2007, he became CEO of the Basel Aero airport group from 2008 to 2012. From 1993 to 2004, he held senior positions at Interros, Ostankino Meat Processing Plant, Golden Telecom, Cannon Associates and Coopers & Lybrand. From 1990 to 1993 he worked as a researcher at Moscow State University.

Education

Sergey Likharev holds a PhD in Physics and Mathematics; and a Masters of Business Administration from Cornell University.

6 Alexander Saprykin

Year of birth: 1967

Vice President, Strategic Raw Materials Division

Length of tenure

Member of the Management Board since 2006.

Professional experience

From 2007 to 2013, Mr. Saprykin was NLMK Vice President, Head of Coal Division. From 2006 to 2007, he served as Vice President, Head of Iron Ore Division. From 2002 until 2006, he headed the Raw Materials Market Department at Rumelco and served as General Director of RUDPROM between 1998 and 2001. In 1997 and 1998, Mr. Saprykin was General Director of VIZEL. Prior to that, he worked as chief specialist for Metallurg from 1996 to 1997.

Education

Graduated from the Moscow State Mining University.

7 Grigory Fedorishin

Year of birth: 1979

Vice President, Finance

Length of tenure

Member of the Management Board since 2012.

Professional experience

From 2011 to 2013, he served as NLMK Director of Strategy and Business Development. From 2009 to 2012 served as an investment manager at Libra Capital, a Moscow-based investment management company. From 2001 to 2009 worked for PricewaterhouseCoopers consulting company where he held positions up to a director of business restructuring practice.

Education

Graduated from Academy of Finance, Moscow. Holds a master degree in Business Administration from INSEAD business school, France & Singapore. a member of an association of Certified Financial Analysts (CFA).

8 Sergey Filatov

Year of birth: 1959

Managing Director

Length of tenure

Member of the Management Board since 2013.

Professional experience

On January 25, 2013 Sergey Filatov was appointed to the position of NLMK's Managing Director. Mr Filatov has been with NLMK since October 2012, serving as Deputy Senior Vice President – General Director for Production and Technology. From 2009 to 2012 he served as Chief Engineer at NTMK. From 2007 to 2009 he was Project Manager at NTMK Project Management Department.

Education

Mr Filatov graduated from the Moscow Institute of Steel and Alloys. He holds a Ph.D. (Tech.), and is an Honorary Metallurgist of Russia.

9 Stanislav Tsyrlin

Year of birth: 1968

Vice President, HR & Management System

Length of tenure

Member of the Management Board since 2005.

Professional experience

From 2004 to 2006 served as Director for Strategy and Management Systems at NLMK, having previously worked for Rumelco (from 2003 to 2004). Prior to that he worked for the Boston Consulting Group from 1996 to 2003, serving initially as a consultant, then as a project manager before being appointed Deputy Director.

Education

Graduated from the Moscow Institute of Physics and Technology and from Stanford University.

CORPORATE GOVERNANCE

CHAIRMAN'S LETTER

Dear Shareholders,

Over the past twelve months, NLMK has invested a lot of effort into enhancing its corporate governance system and practices.

The process of improving corporate governance practice included the revision of the Company's corporate documents to reflect amendments to corporate governance legislation of the Russian Federation, as well as guidance from the Central Bank of Russia.

NLMK's Board of Directors was a focus of the corporate governance improvement and enhancement initiatives undertaken in 2015.

A new independent director, Stanislav Shekshnya, joined the Board. Stanislav is an expert in the areas of leadership and corporate governance and his skills will undoubtedly be a tremendous asset to the Company in the future. The increase in the number of independent directors will ensure even greater effectiveness of the Board, including in its duties related to risk management and the protection of shareholders' interests.

We enhanced the role of independent directors in 2015 and they now chair 2 of the 3 Board committees.

We also updated the Company's dividend policy to reflect the current stage of the Company's development.

Particular attention was paid to the Company's risk management system, which covers all management levels, from shareholders to line managers across all NLMK Group companies.

In its relations with shareholders over the past year, NLMK maintained its commitment to the fundamental corporate governance principles of fairness, accountability, responsibility and transparency.

We focus all our efforts to ensure that NLMK's leadership in performance goes hand

in hand with the most advanced practices of corporate governance. We are constantly striving to remain aligned with the high standards of corporate governance that are expected of a public company.

**Vladimir Lisin,
Chairman of NLMK's Board
of Directors**

GENERAL INFORMATION ABOUT NLMK'S CORPORATE GOVERNANCE

As a public company, NLMK is constantly improving its corporate governance practices. In its activity, NLMK adheres to best international practices and high standards of corporate governance. NLMK corporate governance system is designed to ensure the Company's sustainable development and increase return on investment in equity in the long run. The Company maintains a policy of maximum openness and transparency that allows our shareholders and investors to have all the necessary information on the activities of NLMK provided in a timely manner so that they can make a grounded investment decision regarding the Company's securities.

In 2015, the Company continued to improve its corporate governance in a broader effort to revise its corporate actions procedures.

All corporate documents determining the principles and rules of corporate governance are freely accessible at NLMK Group's corporate website.

NLMK CORPORATE GOVERNANCE SYSTEM

NLMK corporate governance system is built on the requirements of the existing Russian legislation, principles provided by the Organization for Economic Co-operation and Development and provisions of the Corporate Governance Code approved by the Central Bank of Russia, and fully meets

the existing legislation of the countries where the Company operates.

The Corporate Governance Code adopted by the Company in 2015 is the basic document describing all the key corporate governance principles.

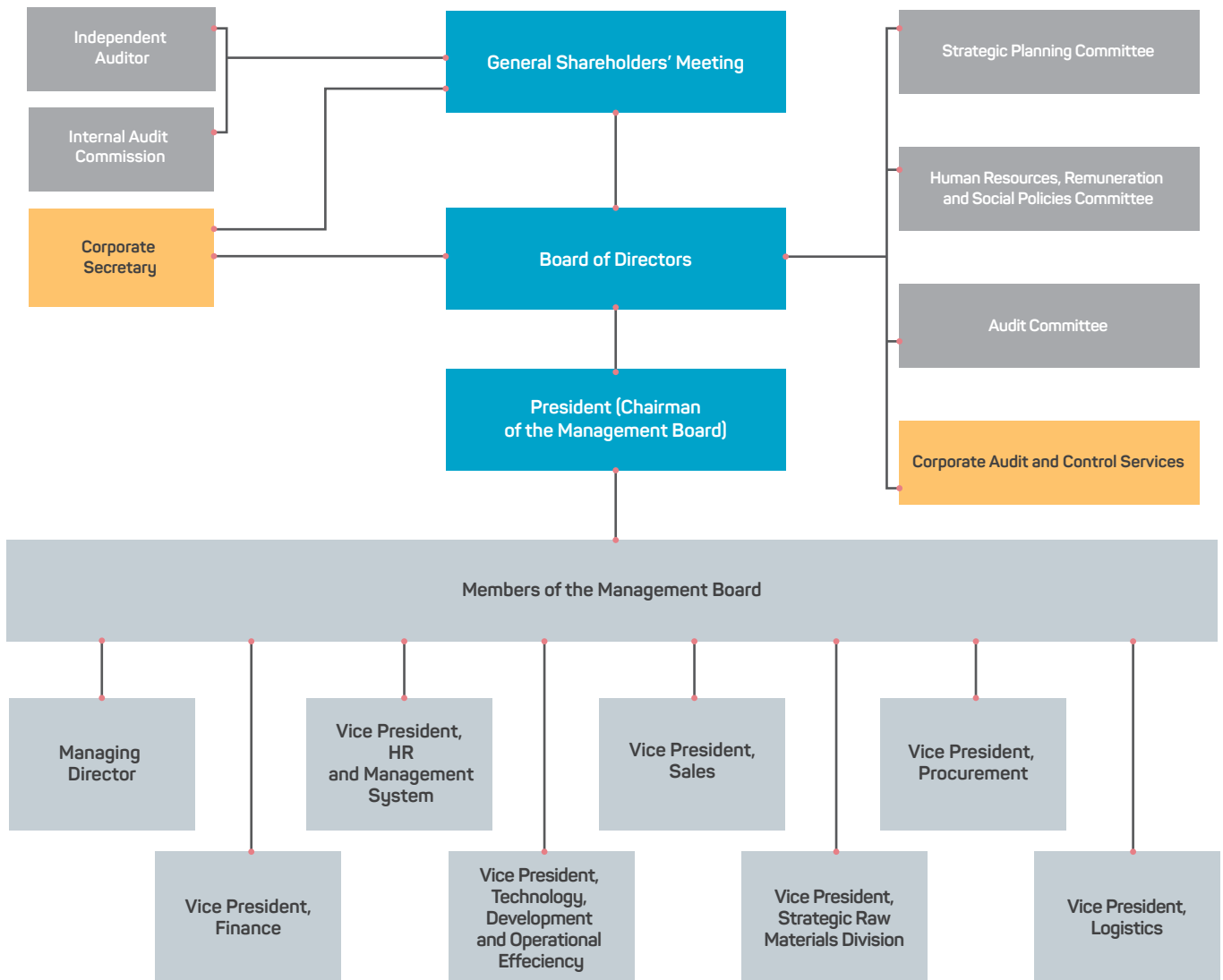
Key principles lying at the core of our Corporate Governance are to:

- Ensure equal and fair treatment of all shareholders when they use their right to be involved in management processes, receive dividends from the Company, participate in meetings, vote on issues on the agenda and get up-to-date information on the Company's activities and its governing bodies.
- Ensure equal treatment of all shareholders, including foreigners and minority shareholders.
- Ensure reliable and effective registration of title to shares and guarantee the opportunity to alienate them freely and without encumbrances.
- Ensure compliance with the existing laws, principles of the Corporate Governance Code and international corporate governance standards.
- Strictly observe the rights of third parties, including their creditors and employees, as required by the law, the Charter and other regulatory documents.
- Pursue a common corporate policy in respect of subsidiary companies, affiliates and other legal entities in which NLMK is the founder, a participant or a member.
- Maintain a policy of open and transparent communications, including by disclosing full and up-to-date information about the Company to give shareholders and investors an opportunity to make informed decisions, as well as by providing documents (information) related to the Company upon shareholders' request.
- Promote a policy of complying with business ethics in conducting its operations.

According to acting corporate documents, the governance structure includes:

- General Meeting of Shareholders, which is the supreme governing body of the Company that makes decisions on the key business issues.
- The Board of Directors, which is responsible for strategic management of NLMK, controls

NLMK Corporate Governance Structure (as at 31 December 2015)



executive bodies, determines the principles of and approaches to organization of the Company's risk management system and internal control, develops NLMK's executive compensation policy, controls corporate governance practices and plays the key role in the Company's significant corporate events.

- The executive bodies of the Company including the President (Chairman of the Management Board) and the Management Board that manage day-to-day activities of the Company and ensure its efficient

operation, while implementing the objectives set by the Board of Directors.

- The Corporate Secretary, who ensures interaction with shareholders, coordinates the Company's activities aimed at protection of shareholders' rights and interests and supports the Board of Directors and the Management Board.
- An independent auditor, the Internal Audit Commission, Audit Committee and Internal Audit department oversee financial and economic activities.

CORPORATE GOVERNANCE EFFICIENCY IN 2015

The Internal Audit Directorate carried out several audits in 2015 to assess the Company's corporate governance for compliance with all its principles. The audits examined the following areas: shareholders' rights; the Board of Directors; the compensation system for the Board of Directors; executive bodies and key managers; risk management; internal control and internal audit; Corporate Secretary; disclosure of information about the Company

and the Company's information policy; significant corporate actions; and corporate social responsibility, business ethics and compliance.

The auditors assessed the existing corporate governance practices for compliance with the Corporate Governance Code recommended by the Bank of Russia and mandatory requirements set out in MICEX Stock Exchange Listing Rules, and verified the information given in the Company's external corporate governance reports.

Overall, the corporate governance system was highly rated by the auditors, which means that the Company observes the Russian corporate governance laws and follows the majority of recommendations provided in the Corporate Governance Code.

In March 2016, the efficiency of the Board of Directors was evaluated by means of anonymous online survey. All Members of the Board participated in the survey. The results showed that the Board of Directors owns diverse functional expertise (finance, risk management, talent management) and industry experience. The Board bases its work on the Strategy, has an efficient decision-making process and follows up the implementation of the decisions. The Board of Directors effectively interacts with the President and the management in general. The evaluation has identified some areas of improvement, namely, in the work of the Committees.

IMPROVEMENT OF CORPORATE GOVERNANCE PRACTICES IN 2015

In 2015, the Company focused on improving the quality of its corporate governance system and practices.

Throughout the year, all the components of the Company's corporate governance system were thoroughly assessed for compliance with the Corporate Governance Code recommended by the Central Bank of Russia, as well as with the Moscow Exchange Listing Rules.

By increasing the number of independent directors in its Board of Directors, the Company enhanced the efficiency of the Board, including with regard to its duties related to risk management and protection of shareholders' interests.

According to the Moscow Exchange Listing Rules and recommendations provided in the Corporate Governance Code, the Audit

Committee and the Human Resources, Remuneration and Social Policies Committee shall be headed by independent directors.

Aiming to harmonize its internal documents, NLMK approved in 2015 the Company's internal documents that reflect recent legislative changes in Russia and follow the Corporate Governance Code recommendations:

- In April 2015, the Company's Board of Directors approved the Dividend Policy
- In June 2015, the General Meeting of Shareholders approved an updated version of Regulations on Remuneration of Members of the Board of Directors
- In December 2015, the General Meeting of Shareholders approved an updated version of the Charter of NLMK, Regulations on the General Shareholders' Meeting and Regulations on the Board of Directors
- In December 2015, the Company's Board of Directors approved Regulations on the Board of Directors Audit Committee; Regulations on the Strategic Planning Committee; Regulations on the Human Resources, Remuneration and Social Policies Committee; and the Corporate Governance Code

Also, the Company adopted its first time ever Regulations on Corporate Secretary, which govern the activities and detail the procedures of the Corporate Secretary.

The Company is taking consistent steps to ensure compliance with other principles and recommendations of the Corporate Governance Code.

GENERAL SHAREHOLDERS' MEETING

NLMK corporate governance practices

The General Meeting of Shareholders is NLMK's supreme governing body responsible for substantive issues related to the Company's activities. NLMK's shareholders are entitled to make decisions at the General Meeting of Shareholders. Such decisions include election to the Company's key governing bodies; approval of annual reports; profit distribution; amendments and additions to the Company's Charter or approval of a new version of the Company's Charter; approval of internal documents governing the activities of the Company's bodies, etc.

NLMK strives to ensure equal and fair treatment of all shareholders when they use their right to participate in the Company's management processes.

NLMK has Regulations on the General Shareholders' Meeting that comply with the recommendations of the Corporate Governance Code and determine the key procedures for organizing, calling and holding the General Meeting of Shareholders (some of the procedures for organizing, calling and holding the General Meeting of Shareholders are also regulated by the Charter of NLMK).

The procedure for holding the General Meeting of Shareholders aims to ensure that the rights of shareholders are observed; it is fully compliant with the current legislation and follows global best practices in corporate governance.

The Company provides its shareholders with easily accessible communication channels such as a hotline or email so that they can share their opinions and ask questions concerning the agenda during preparation for the General Meeting of Shareholders.

We inform our shareholders about an upcoming General Meeting by posting an announcement on NLMK's website at least 30 days prior to the date of the meeting (unless the Russian legislation requires doing it earlier).

NLMK provides access to meeting materials at least 30 days prior to the date of the General Meeting of Shareholders and supplies shareholders with additional information and materials, as recommended by the Corporate Governance Code. In addition, the Company publishes travel information, a sample form for a power of attorney that a shareholder can give to his or her representative for participation in the meeting, and information on the procedure for its attestation.

The information (materials) provided to persons entitled to participate in the General Meeting of Shareholders is published on NLMK's website (www.nlmk.com).

The Company also publishes all the information in English to ensure equal treatment of all shareholders, including foreigners.



In the course of preparation for a General Meeting of Shareholders, NLMK Board of Directors approves regulations that determine the procedure for questions on the Company's activities from the shareholders to members of the governing bodies, the person responsible for the Company's accounting, the Company's auditors and candidates for the governing bodies.

Participants of the General Meeting of Shareholders are entitled to freely contact and consult each other on issues on the meeting's agenda without violating the meeting procedure (regulations).

NLMK corporate governance system and practices provide a level playing field for all shareholders, including foreigners and minority shareholders, and ensure equal treatment for all of them.

NLMK adheres to a policy that prevents unfair redistribution of corporate control, because NLMK does not have preferred shares and there are no quasi-treasury shares on the balance sheets of its subsidiaries and affiliates.

According to the corporate documents, a meeting of shareholders is deemed valid (has a quorum) if shareholders owing collectively more than 50% of NLMK's voting shares have participated in it.

Activity in 2015

In 2015, NLMK updated its dividend policy and shifted to paying dividends on a quarterly basis, which resulted in more frequent meetings of the company's shareholders, since the payout is to be approved at the General Meeting of Shareholders, according to NLMK's corporate procedures.

Three General Meetings of Shareholders (one annual and two extraordinary meetings) were held in 2015, including one meeting in person and two meetings in the form of absentee voting.

General Meeting of Shareholders by status	Number
Annual meeting	1
Extraordinary meeting	2

NLMK's Annual General Shareholders' Meeting for FY2014 was held on 5 June 2015. Shareholders and shareholder representatives holding a total of 89.97% of NLMK's shareholder capital were present, meeting

the quorum requirements. During the meeting, the following issues were reviewed and decisions taken:

On approval of NLMK's 2014 annual report, annual financial statements, including the 2014 profit and loss statement and distribution of NLMK's profits (including announcement of dividends) based on the results of the 2014 fiscal year, the following decisions were made:

- Approve NLMK's 2014 annual report, annual financial statements, including the 2014 profit and loss statement.
- Approve distribution of NLMK's profits based on the results of the 2014 fiscal year:
 - Pay (announce) dividends for FY2014 in the amount of 2.44 rubles per ordinary share. With consideration of the interim dividends paid for H1 2014 in the amount of 0.88 rubles per ordinary share, the amount outstanding for payment is 1.56 rubles per ordinary share. Set the date upon which the shareholders entitled to receive dividends are to be determined as June 16th 2015.
 - Make the balance of profits not paid as dividends available for NLMK.

On payment (announcement) of dividends on the basis of Q1 2015 results, a decision was made to pay (announce) dividends for Q1 2015 in the amount of 1.64 rubles per ordinary share. Set the date upon which the shareholders entitled to receive dividends are to be determined as June 16th 2015.

On declaring NLMK's Dividend Policy approved at NLMK's Annual General Meeting of Shareholders on 6 June 2014 invalid, a decision was made to declare NLMK's Dividend Policy approved at NLMK's Annual General Meeting of Shareholders on 6 June 2014 invalid.

On election of NLMK's Board of Directors, a decision was made to elect the following members to the Board of Directors:

- Oleg Bagrin
- Helmut Wieser*
- Nikolai Gagarin
- Karl Doering
- Vladimir Lisin

* These members of NLMK's Board of Directors were elected as independent directors.

- Karen Sarkisov
- Stanislav Shekshnya*
- Benedict Sciortino*
- Franz Struzl*

On election of NLMK's President (Chairman of the Management Board), a decision was made to elect Oleg Bagrin President (Chairman of the Management Board).

On election of the members of NLMK's Internal Audit Commission, a decision was made to elect the following members to NLMK's Internal Audit Commission:

- Vladislav Ershov
- Natalia Krasnykh
- Vladimir Markin
- Sergey Nesmeyanov
- Galina Shipilova

On payment of remuneration to the members of NLMK's Board of Directors, a decision was made to approve payment of remuneration to the members of NLMK's Board of Directors.

On approval of the revised versions of NLMK's internal corporate documents, a decision was made to approve the revised version of NLMK's Regulations on Remuneration of Members of the Board of Directors.

On approval of the base remuneration for the members of the Board of Directors, a decision was made to approve the base remuneration paid to each member of NLMK's Board of Directors in the amount of \$160,000 (one hundred and sixty thousand US dollars).

On approval of NLMK's Auditor, a decision was made to approve ZAO PricewaterhouseCoopers Audit as the Auditor of NLMK's 2015 financial statements prepared in accordance with Russian Accounting Standards (RAS). ZAO PricewaterhouseCoopers Audit was authorized to audit NLMK's 2015 consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

At NLMK's Extraordinary General Meeting of Shareholders held on 30 September 2015, a decision was made to pay (announce) dividends on the basis of the Company's H1 2015 results in the amount of 0.93 rubles per ordinary share. The date upon which the shareholders entitled to receive dividends were to be determined was set as 12 October 2015.

At the Extraordinary General Meeting of Shareholders held on 21 December 2015, the following decisions were made:

- Pay (announce) dividends based on the results of nine months of 2015 in the amount of 1.95 rubles per ordinary share. The date upon which the shareholders entitled to receive dividends were to be determined was set as 8 January 2016.
- Approve the revised version of the Company's Charter.
- Approve Regulations on the General Shareholders' Meeting and declare Regulations on Holding NLMK's General Shareholders' Meeting approved at the Annual General Meeting of Shareholders on 6 June 2014 to be no longer in force.
- Approve the revised version of NLMK's Regulations on the Board of Directors.

NLMK's Extraordinary General Meetings of Shareholders were held in the form of absentee voting:

Name	Date	Percentage of shareholders participating in the meeting
NLMK's Extraordinary General Meeting of Shareholders	30 September 2015	91.75%
NLMK's Extraordinary General Meeting of Shareholders	21 December 2015	91.63%

- Declare NLMK's Corporate Governance Code approved at NLMK's Annual General Meeting of Shareholders on 6 June 2006 to be no longer in force.

BOARD OF DIRECTORS

NLMK corporate governance in action

The Board of Directors is a key element of the Company's corporate governance system. The Company's Board of Directors is responsible for strategic management of Public Joint Stock Company "Novolipetsk Steel", supervises activities of the Company's executive bodies, determines principles of and approaches to the risk management and internal control system, the Company's policy on remunerations for members of the executive bodies, controls the corporate governance practice and plays a key part in the Company's significant corporate events.

NLMK's Board of Directors reports to the Company's shareholders.

NLMK's Board of Directors is an efficient and professional governing body able to form independent opinions and make decisions serving the interests of the Company and its shareholders.

NLMK's Regulations on the Board of Directors govern the procedures of the Board of Directors and, in particular, include the procedure for arranging and holding meetings of the Board of Directors, which allows the members of the Board of Directors to prepare for the meetings properly, and stipulates the following:

- The period of notice of an upcoming meeting given to the members of the Board of Directors
- The deadline for sending out documents (ballots) for voting and receiving the filled-in documents (ballots) when meetings are held in the form of absentee voting
- A possibility for the members of the Board of Directors who are absent at an in-person meeting to send a written opinion on issues included in the agenda of the meeting of the Board of Directors
- A possibility for discussion and voting by means of a conference call or video conference

According to the current corporate documents, the Board of Directors, acting within its powers:

- Ensures execution of resolutions passed by the General Meeting of Shareholders.

- Assesses political, financial and other risks impacting Company's operations, as well as operations of subsidiaries, associates and other legal entities in which the Company is a founder, participant or member.
- Determines approaches to investment and participation in other organizations.
- Assesses the performance of the Company and its bodies.
- Determines the terms of dividend payment.
- Develops remuneration incentive methods and systems for company employees.
- Ensures the disclosure of information about the Company.
- Supervises activities of the Company's executive bodies.
- Ensures the Company's compliance with the applicable legislation.
- Defines materiality criteria for the subsidiaries, associates and other legal entities in which the Company is a founder, participant or member, for decision-making concerning the issues that fall within the powers of the Management Board.
- Ensures compliance with corporate governance principles.

The Board of Directors operates in the form of meetings held in accordance with the Schedule approved by the Chairman of the Board of Directors. Meetings of the Board of Directors are held on a regular basis at least 6 times a year.

The most important issues are resolved at meetings of NLMK's Board of Directors held in person (convening and holding the Annual General Meeting of Shareholders, including recommendations on the distribution of profits and payment of dividends, preliminary approval of the Company's annual reports, financial statements and budget, etc.).

The Board of Directors is guided by the following principles in its decision-making process:

- Prevent prejudice of shareholders' legal right to participate in the management of the Company.
- Balance interests of different shareholder groups and make the most impartial decisions in the interests of all shareholders of the Company.

- Make informed decisions based on reliable information about the Company's operations.

Chairman of the Board of Directors

The Chairman of the Board of Directors organizes the work of this body and contributes to the most efficient performance of its functions.

The Chairman of the Board of Directors ensures a constructive environment at the meetings and free discussion of issues on the agenda, and supervises execution of resolutions passed by the Board of Directors.

The Chairman of the Board of Directors is elected by the members of the Board of Directors among themselves by a majority vote of the total number of the members.

The Chairman of the Board of Directors has the most extensive experience, professional expertise and authority among the Company's shareholders, members of governing bodies and employees.

Independent board members

One of the essential prerequisites for efficient operation of the Board of Directors is its independent directors who play a crucial part in preventing internal conflicts in the Company and carrying out significant corporate actions by the Company. Independent directors also ensure that the Board forms impartial opinions on the issues under discussion, which, in its turn, helps build up investors' and shareholders' confidence in the Company.

The Company's Board of Directors includes four independent directors who contribute to the implementation of one of the fundamental corporate governance principles developed by the Organisation for Economic Co-operation and Development, according to which the Board of Directors should be able to pass independent impartial judgments on corporate matters. Participation of independent directors in the work of the Board of Directors is a primary way to ensure that such judgments are formed since independent directors view the Company and its management objectively.

Independent directors fully meet the independence criteria recommended by the Code. The Company's Regulations on the Board of Directors include the criteria to determine independence of the members of the Board of Directors which fully comply with the recommendations specified in the Code.

NLMK's independent directors are people with sufficient professional expertise, experience and independence to form their

own attitudes and pass objective and honest judgments, which are not influenced by the Company's executive bodies, individual groups of shareholders or other stakeholders.

Composition of the Board of Directors

The composition of the Company's Board of Directors is balanced in terms of

qualification, experience, knowledge and business acumen. The members of the Board of Directors have impeccable business reputation, knowledge, skills and experience in steelmaking, mining, science, economics, business management, and law.

As at 31 December 2015, the Board of Directors consists of 9 people, including

4 members of the Board of Directors who are independent.

The members of NLMK's Board of Directors conducted no equity transactions in 2015.

There was no conflict of interests between NLMK Board of Directors members in 2015.

Composition of the Board of Directors of NLMK as at 31 December 2015

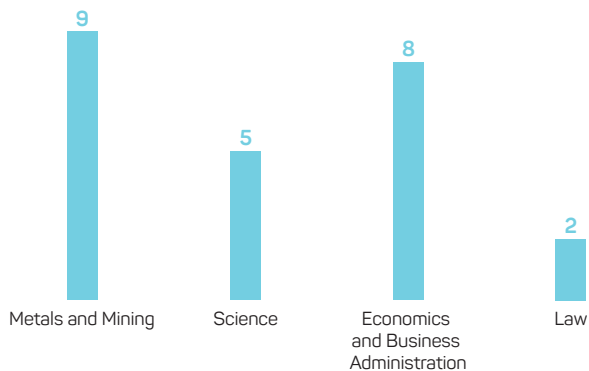
Full name	Position	Years on the Board	Independent	Participation in Strategic Planning Committee	Participation in Audit Committee	Participation in Human Resources, Remuneration and Social Policies Committee
Vladimir Lisin	Chairman of the Board of Directors	19		Chairman		<input checked="" type="checkbox"/>
Oleg Bagrin	Member of the Board of Directors	11		<input checked="" type="checkbox"/>		
Benedict Sciortino	Member of the Board of Directors	4	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Chairman	
Helmut Wieser	Member of the Board of Directors	5	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Nikolai Gagarin	Member of the Board of Directors	14			<input checked="" type="checkbox"/>	
Karl Doering	Member of the Board of Directors	9		<input checked="" type="checkbox"/>		
Karen Sarkisov	Member of the Board of Directors	6		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Franz Struzl	Member of the Board of Directors	5	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Stanislav Shekshnya	Member of the Board of Directors	1	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	Chairman

Shares owned by members of NLMK Board of Directors*

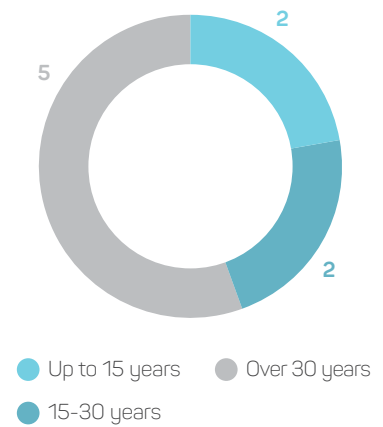
Full name	Position	Share of the authorized capital stock of NLMK
Vladimir Lisin	Chairman of the Board of Directors	Not an NLMK shareholder
Oleg Bagrin	Member of the Board of Directors	Not an NLMK shareholder
Benedict Sciortino	Member of the Board of Directors	Not an NLMK shareholder
Helmut Wieser	Member of the Board of Directors	Not an NLMK shareholder
Nikolai Gagarin	Member of the Board of Directors	Not an NLMK shareholder
Karl Doering	Member of the Board of Directors	Not an NLMK shareholder
Karen Sarkisov	Member of the Board of Directors	Not an NLMK shareholder
Franz Struzl	Member of the Board of Directors	Not an NLMK shareholder
Stanislav Shekshnya	Member of the Board of Directors	Not an NLMK shareholder

* The structure of the share capital with beneficiary ownership specified is available in the Information for Shareholders section.

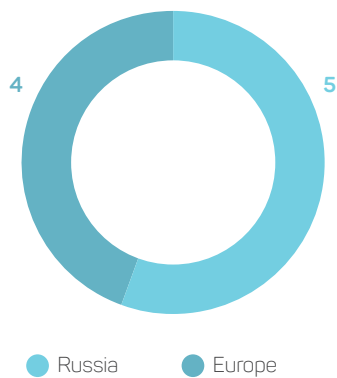
Directors' expertise and professional background



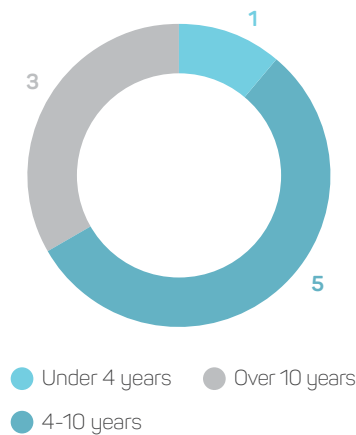
Directors' expertise in the steel sector



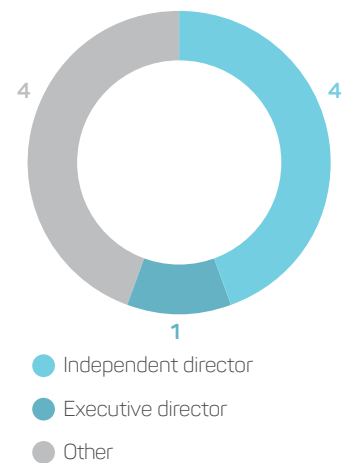
Directors' location



Directors' length of tenure



Composition of the Board of Directors by director status



The Board of Directors' activity in 2015

In 2015 there were 12 meetings of the Board of Directors of NLMK, 9 of which were held by absentee ballot.

The following are the main issues that were examined by the Group's Board of Directors in 2015:

- Reviewing proposals on the agenda of the General Shareholders' Meeting and proposals on nomination of candidates to NLMK's governing bodies received from NLMK shareholders
- Convening the Annual General Shareholders' Meeting and approving the date to provide a list of persons entitled to participate in the Annual General Meeting of Shareholders
- Approving the Company's draft annual report for 2014, annual financial statements, including the 2014 profit and loss statement, as well as the NLMK's 2014 annual consolidated financial statements prepared in accordance with the US Generally Accepted Accounting Principles (US GAAP)
- Providing recommendations to NLMK's Annual General Meeting of Shareholders regarding the distribution of profits
- Providing recommendations to the Annual General Meeting of Shareholders regarding the payment of remuneration to the members of NLMK's Board of Directors
- Providing recommendations to the Annual General Meeting of Shareholders regarding approval of NLMK's Auditor
- Approving the agenda, draft documents and measures necessary for preparing for and holding the Annual General Shareholders' meeting
- Chairman of the Board of Directors
- Formation of Committees under the Board of Directors of NLMK
- Approving the plan for holding the meetings of NLMK's Board of Directors
- Approving the consolidated budget of the Group
- Restructuring the European assets of NLMK Group
- Approving related party transactions
- Approving the amount of payment for NLMK auditor services
- Establishing the Company's priority areas of activity (including signing an addendum to the agreement on creating a consolidated group of taxpayers (including new participants))

- Approving the composition of the NLMK Management Board
- Approving internal corporate documents of NLMK
- Approving the Corporate Secretary of the Company
- Convening an Extraordinary General Meeting of Shareholders (EGM); approving the agenda, draft documents and events required to prepare for and organize the EGM
- The members of NLMK's Management Board concurrently holding management positions in other companies
- The long-term incentive program for NLMK Group's executives

Participation of Members of the Board of Directors in the Meetings of this Body in 2015

Board of Directors' Member	Participation in meetings
Vladimir Lisin	12
Oleg Bagrin	12
Benedict Sciortino	12
Helmut Wieser	12
Nikolai Gagarin	12
Karl Doering	12
Karen Sarkisov	12
Franz Struzl	12
Stanislav Shekshnya	8*

* Stanislav Shekshnya was elected to the Board of Directors at the Annual General Shareholders' Meeting held on 5 June 2015.

COMMITTEES OF THE BOARD OF DIRECTORS

One of the key instruments of the corporate governance system and a prerequisite for efficient operation of the Board of Directors is streamlined operation of its committees. Best practices and the Corporate Governance Code adopted in 2014 and recommended by the Central Bank of the Russian Federation provide for establishing a number of committees within the Boards of Directors – the Audit Committee, Human Resources, Remuneration and Social Policies Committee, and Strategic Planning Committee.

The committees are advisory bodies of the Board of Directors; they are established primarily for preliminary review and analysis of the most significant issues within the powers

of the Board of Directors. The composition of the committees is supposed to allow them to hold in-depth discussions of the issues involved taking into consideration various opinions.

The members of the committees have professional qualifications, knowledge and experience in the committee's area as well as other specific expertise, ability and time required to serve and fulfill their functions as members of the committee.

The status, goals, objectives and functions of the committees as well as their composition, establishment and operation are set out in regulations on committees approved by the Company's Board of Directors.

Strategic Planning Committee

Committee's activities and powers

The Strategic Planning Committee drafts and submits recommendations to the Board regarding priority areas for company activities and its development strategy, including long-term actions to improve effectiveness, and to promote asset growth, profitability and a stronger investment case.

The main objectives of the Strategic Planning Committee are:

1) To provide consulting support required by the Board of Directors for:

- Setting strategic objectives aimed at the long-term development of the Company
- Developing initiatives aimed at increasing the Company's profitability and its investment appeal
- Coordinating the activities of the Company's structural units and the Board of Directors with regard to strategic planning

2) To exercise control over the execution of resolutions adopted by the Board of

Directors with regard to determining priority directions for business development and strategic planning;

3) To assess the Company's investor and shareholder relations policy.

The Committee membership had been changed during 2015

The Committee membership before June 2015:

- Vladimir Lisin (Chairman of the Committee);
- Oleg Bagrin
- Benedict Sciortino
- Karl Doering
- Helmut Wieser
- Franz Struzl
- Karen Sarkisov
- Aleksey Lapshin

The Committee membership between June and December 2015:

- Vladimir Lisin (Chairman of the Committee);
- Oleg Bagrin
- Benedict Sciortino
- Karl Doering
- Helmut Wieser
- Franz Struzl
- Karen Sarkisov

According to Regulations on the Strategic Planning Committee approved in December 2015, the Strategic Planning Committee with the following membership was established at the meeting of the Company's Board of Directors:

- Vladimir Lisin (Chairman of the Committee)
- Oleg Bagrin

Participation of committee members in committee meetings in 2015

Full name	Position	Participation in Committee meetings in 2015
Vladimir Lisin	Chairman of the Committee	3
Oleg Bagrin	Member of the Committee	3
Karen Sarkisov	Member of the Committee	3
Karl Doering	Member of the Committee	3
Benedict Sciortino	Member of the Committee	3
Franz Struzl	Member of the Committee	3
Helmut Wieser	Member of the Committee	3

- Benedict Sciortino
- Karl Doering
- Helmut Wieser
- Franz Struzl
- Karen Sarkisov

Secretary of the Committee: Grigory Fedorishin (Vice President, Finance)

Results of the Committee's activity in 2015

In 2015, the Strategic Planning Committee held three meetings, including one meeting in person and two meetings in the form of absentee voting.

Resolutions on the following key issues were passed at the meetings of the Committee:

- Updating NLMK's dividend policy
- Developing NLMK Belgium Holdings' assets
- Implementing NLMK Group's investment program, including the development of Stoilensky

Audit Committee

Activity description, authority

The Audit Committee chaired by an independent director was established to contribute to effective performance of functions related to supervision of the Company's financial and business activities by the Board of Directors.

The Committee's main objectives are to improve efficiency of internal control, risk management and corporate governance systems, verify the accuracy of financial statements, supervise the internal and external audit, and prevent fraud by employees and other parties.

The Committee membership had been changed during 2015

The Committee membership before June 2015:

- Benedict Sciortino (Chairman of the Committee)
- Karen Sarkisov
- Nikolai Gagarin
- Karl Doering
- Franz Struzl

The Committee membership between June and December 2015:

- Benedict Sciortino (Chairman of the Committee)
- Karen Sarkisov
- Nikolai Gagarin
- Franz Struzl

According to Regulations on the Audit Committee approved in December 2015, the Audit Committee with the following membership was established at the meeting of the Company's Board of Directors: (as at 31.12.2015):

- Benedict Sciortino (Chairman of the Committee)
- Karen Sarkisov
- Nikolai Gagarin
- Stanislav Shekshnya
- Franz Struzl

Secretary of the Committee: Andrei Dozhdikov (Head of Consolidated Financial Statements Department)

Results of the Committee's activity for 2015

In 2015 there were 6 meetings of the Audit Committee held in-person, including 3 held by conference call.

The Committee reviewed and passed resolutions on the following key issues:

- Review of the results of the audit of NLMK's 2014 US GAAP Consolidated Financial Statements
- Review of the results of the audit of NLMK's 2014 IFRS Consolidated Financial Statements
- Review of draft interim abridged US GAAP Consolidated Financial Statements for Q1 and H1 2015; and IFRS Consolidated Financial Statements for 9M 2015
- Review of potential auditors for NLMK Group's RAS and IFRS-based consolidated financial statements for 2015
- Review of the report on the progress of the Risk Management, Internal Control and Internal Audit business process development
- Review of the results of risk management activities and the risk matrix for 2015
- Review of the report on the Internal Audit Service performance in 2014, and the audit plan for 2015
- Review of the reports on the interim results of the Group's Internal Audit Service operation, risk management and internal control activities

Human Resources, Remuneration and Social Policies Committee

Committee's activities and powers

The Human Resources, Remuneration and Social Policies Committee chaired by an independent director was established for preliminary review of issues related to the development of efficient and transparent practices of remuneration, human resource planning (succession planning), areas of expertise and performance of the Board of Directors. The main purpose of the Committee is to ensure efficient decision making by the Company's Board of Directors on the following issues:

- Appointment of members of the Company's governing bodies and other key executives, and succession planning for management and other key positions in the Company
- Assessment of members of the Company's governing bodies and other key executives
- Remuneration of members of the Company's governing bodies and other key executives
- The Company's social policy

Participation of committee members in committee meetings in 2015

Full name	Position	Participation in meetings in 2015*
Benedict Sciortino	Chairman of the Committee	6 (6)
Franz Struzl	Member of the Committee	6 (6)
Stanislav Shekshnya**	Member of the Committee	-
Nikolai Gagarin	Member of the Committee	6 (6)
Karen Sarkisov	Member of the Committee	6 (6)

* The number of the Committee's meetings over the period of the person's participation as a member of the Committee is specified in brackets.

** Elected to the Committee in December 2015.

The main objective of the Committee is to review, develop and provide recommendations to the Company's Board of Directors on the following issues:

- The priority areas for appointment, assessment, development and remuneration of members of the Company's governing bodies and other key executives
- Human resource planning, expanding the range of expertise and improving performance of the Company's Board of Directors
- Human resource planning and succession planning for management and other key positions in the Company
- Development of efficient and transparent practices of remuneration for members of the Company's governing bodies and other key executives
- Other issues, including the development of the social policy

The Committee membership had been changed during 2015:

The Committee membership before June 2015:

- Vladimir Lisin (Chairman of the Committee)
- Oleg Bagrin
- Aleksey Lapshin

The Committee membership between June and December 2015:

- Stanislav Shekshnya (Chairman of the Committee)
- Vladimir Lisin
- Oleg Bagrin
- Helmut Wieser

According to the Regulations on the Human Resources, Remuneration and Social Policies Committee approved in December 2015, the Human Resources, Remuneration and Social Policies Committee with the following membership was established at the meeting of the Company's Board of Directors: (as at December 31, 2015):

- Stanislav Shekshnya (Chairman of the Committee)
- Vladimir Lisin
- Helmut Wieser

Secretary of the Committee: Irina Bevz (Director, Talent Management).

Results of the Committee's activity for 2015

In 2015, there were four meetings of the Human Resources, Remuneration and Social Policies Committee, including one meeting in person and three meetings in the form of absentee voting.

The Committee reviewed and passed resolutions on the following key issues:

- Approve the objectives, scope and schedule of the Committee's activities in 2015–2016 and the Secretary of the Committee
- Adopt the 2015–2016 HR Strategy approved by the NLMK's Management Board
- Take into consideration the new MICEX requirements related to criteria of independent directors' connection with the issuer (the maximum length of tenure on the Board of Directors cannot exceed seven years)
- Identify the current best practices for assessing a board of directors and develop an assessment procedure on their basis. Use the ideal target vision of the Board of Directors' performance as a benchmarking criterion when assessing the Board of Directors
- Recommend to NLMK's Board of Directors to approve the proposed methodology and schedule for assessment of the Board of Directors. Conduct the assessment of the Board of Directors in accordance with the proposed methodology and schedule

CORPORATE SECRETARY

NLMK's Corporate Secretary ensures effective interaction with shareholders, coordinates

Participation of committee members in committee meetings in 2015

Full name	Position	Participation in meetings in 2015
Stanislav Shekshnya	Chairman of the Committee	2 (2)
Vladimir Lisin	Member of the Committee	4 (4)
Helmut Wieser	Member of the Committee	1 (2)

NLMK's activities aimed at protecting the rights and interests of its shareholders, and supports the operation of the Board of Directors.

Functionally reporting to the Board of Directors and administratively reporting to NLMK President (Chairman of the Management Board), the Corporate Secretary is appointed and dismissed by NLMK President (Chairman of the Management Board) on the basis of a decision by the Board of Directors.

NLMK's Corporate Secretary ensures interaction with shareholders, coordinates NLMK's activities aimed at protecting the rights and interests of its shareholders, supports the operation of the Board of Directors and acts as the Head of the Management Board Secretariat, which helps improve the efficiency of NLMK's corporate governance. The duties performed by the Corporate Secretary are in line with recommendations given in the Code, and the Corporate Secretary has sufficient resources to exercise his powers.

The Corporate Secretary's main duties are to:

- Contribute to preparing for and organizing of General Meetings of Shareholders
- Support the operation of the Board of Directors and its Committees
- Contribute to the execution of NLMK's disclosure policy and oversee the storage of NLMK's corporate documents
- Support the interaction between NLMK and its shareholders
- Support the interaction between NLMK and regulators, brokerage firms, the registrar and other players in the securities market, as well as NLMK's affiliates, within the powers assigned to the Corporate Secretary
- Secure compliance with the procedures established by the law and NLMK's internal documents that provide for the enforcement of rights and legitimate interests of shareholders; and control their execution
- Contribute to improving NLMK's corporate governance system and practices

The rights and duties of NLMK's Corporate Secretary are governed by Regulations on the Corporate Secretary (which were approved for the first time in 2015), the Company's Charter and Regulations on the Board of Directors.

Valery Loskutov has been the Company's Corporate Secretary from 2005.

The Corporate Secretary oversees the Corporate Secretary Office.

MANAGEMENT BOARD

NLMK corporate governance in action

According to NLMK's current corporate documents, the implementation of the approved strategy and specific decisions of the Board of Directors is delegated to the President and the Management Board.

The main objective of the Management Board is to ensure that the Company is operating efficiently. In order to reach its objective the Management Board is guided by the following principles:

- Efficient and objective decision-making that favors the interests of the Company and its shareholders
- Fair, timely and efficient execution of the decisions of the General Shareholders' Meeting and the Board of Directors
- Cooperation with trade unions of the Company's employees with the purpose of taking into account the employees' interests
- Cooperation with government agencies and local authorities on the most important issues.

The key issues that the Management Board is responsible for addressing are as follows:

- Devising and conceptualizing the developmental steps, long-term plans and core areas of activity for the Company and its subsidiaries and affiliates; and submitting them to the Board of Directors for approval
- Developing modes of interaction between the Company and other companies and

legal entities in which the Company holds shares or interest or of which the Company is a founder, participant or member

- Approving proposals concerning the agenda of the General Meetings of Shareholders/participants as well as the list of candidates to the governing bodies which supervise the subsidiaries, affiliates and other legal entities of which the Company is a founder, participant or member
- Approving the Company's representatives for participation in the General Meetings of Shareholders and participants held at subsidiaries, affiliates and other legal entities of which the Company is a shareholder, founder or member, as well as approving guidelines for voting on agenda items for those representatives
- Giving recommendations and opinions on issues concerning approval of budgets, key development trends, governance structure, and other critical issues, which are considered by the governing bodies of subsidiaries, affiliates and other legal entities of which the Company is a founder, participant or member
- Advising the Board of Directors on major and/or related party transactions submitted for review by the Board of Directors in accordance with its powers
- Approving transactions involving the Company's assets in cases where the value of the deal or property in question exceeds 10% of the Company's asset book value
- Deciding on Company participation or termination of participation in other organizations in cases where the value of

Composition of the Management Board as at 31 December 2015

Full name	Position
Oleg Bagrin	Member of the Board of Directors, President (Chairman of the Management Board)
Brijesh Garg	Vice President, Procurement
Ilya Gushchin	Vice President, Sales
Yuri Larin	Vice President, Technology Development & Operational Efficiency
Sergey Likharev	Vice President, Logistics
Alexander Saprykin	Vice President, Strategic Raw Materials Division
Grigory Fedorishin	Vice President, Finance
Sergey Filatov	Managing Director
Stanislav Tsyrlin	Vice President, HR & Management System

There was no conflict of interests between NLMK Management Board members in 2015.

the acquired (disposed) property is less than 2% of the Company's asset book value

- Setting up and dissolving Company's branches and representative offices, as well as approving, revising and amending regulations on branches and representative offices

The make-up and structure of members of the Management Board is approved by the Board of Directors with consideration of the opinion of the President (Chairman of the Management Board). The composition of the Management Board is approved by the Board of Directors based on recommendations from the President (Chairman of the Management Board).

President (Chairman of the Management Board)

President (Chairman of the Management Board) manages the day-to-day activities of the Company, excluding issues that fall within the exclusive competence of the General Shareholders' Meeting, the Board of Directors and the Management Board; arranges for the execution of the decisions made by the General Shareholders' Meeting and the Board of Directors. President (Chairman of the Management Board) acts without any Power of Attorney on behalf of the Company.

According to the corporate documents, President (Chairman of the Management

Board) cannot simultaneously be the Chairman of the Board of Directors of the Company.

The President (Chairman of the Management Board) is elected by the General Shareholders' Meeting for a period lasting until the next Annual Meeting, unless otherwise stipulated by the General Shareholders' Meeting. Oleg Bagrin has been the President (Chairman of the Management Board) since 2012 and is also a member of the Board of Directors. He was last elected on 5 June 2015.

Activity of the Management Board in 2015

In 2015, there were 44 meetings of the Management Board, including 22 meetings that were held using absentee ballots. The following issues were considered at these meetings:

- Meeting Group's key performance indicators in occupational health & safety
- Group's consolidated budget execution
- Achievement of NLMK Group's KPIs and implementation of its companies' optimization programmes
- Participation/withdrawing participation of the Group in other companies
- Approval of draft decisions on matters within the competence of the General Shareholders' Meetings of companies in which the Group is the sole participant/shareholder

Participation of Members of the Management Board in Meetings of this body in 2015

Full name	Participation in meetings
Oleg Bagrin	44
Brijesh Garg	44
Ilya Gushchin	44
Yuri Larin	44
Sergey Likharev	44
Alexander Saprykin	44
Grigory Fedorishin	44
Sergey Filatov	44
Stanislav Tsyrlin	44

- Execution of the development programmes of NLMK's divisions (functional areas)
- Recommendations to the Company's Board of Directors (with regard to approval of related party transactions, dividend payments and NLMK's draft annual report for 2014)
- Recommendations to the governing bodies of subsidiaries and affiliates
- Approval of transactions
- Efficiency of sales portfolio management
- Comprehensive risk management system
- Approval of the Management Board's meeting schedule for 2015

Shares owned by members of the Management Board

Full name	Position	Share of the authorized capital stock of NLMK
Oleg Bagrin	Member of the Board of Directors, President (Chairman of the Management Board)	Not an NLMK shareholder
Brijesh Garg	Vice President, Procurement	Not an NLMK shareholder
Ilya Gushchin	Vice President, Sales	Not an NLMK shareholder
Yuri Larin	Vice President, Technology Development & Operational Efficiency	0.00083 %
Sergey Likharev	Vice President, Logistics	Not an NLMK shareholder
Alexander Saprykin	Vice President, Strategic Raw Materials Division	Not an NLMK shareholder
Grigory Fedorishin	Vice President, Finance	Not an NLMK shareholder
Sergey Filatov	Managing Director	Not an NLMK shareholder
Stanislav Tsyrlin	Vice President, HR & Management System	Not an NLMK shareholder

REPORT ON REMUNERATION TO GOVERNING BODIES

The levels of remuneration are sufficient to attract, motivate and retain competent and properly qualified executives. Remuneration is paid to members of NLMK's Board of Directors in accordance with the approved Regulations on Remuneration.

The Regulations on Remuneration contain transparent mechanisms for determining the levels of remuneration paid to members of NLMK's Board of Directors, and govern all types of payments, benefits and perks offered to them.

Remuneration and compensation of members of the Board of Directors

The remuneration system for members of the Board of Directors serves to align

their financial interests with the long-term financial interests of shareholders.

The levels of remuneration and compensation paid to members of NLMK's Board of Directors are determined on the basis of Regulations on Remuneration of Members of the Board of Directors of Novolipetsk Steel approved by the General Meeting of Shareholders on 5 June 2015 (Minutes of Meeting No. 40). The Regulations outline the terms and conditions and the procedure for payment of remuneration and compensation for expenses to members of NLMK's Board of Directors related to their performing the functions of members of the Board of Directors during their term / from their election to the Board of Directors till the date of termination of office of the member of the Board of Directors.

Remuneration is paid to the members of the Board of Directors for reasonable and faithful exercise of their rights and their duties in the interests of NLMK. Remuneration to members of the Board of Directors consists of base remuneration and a bonus.

The amount of base remuneration is determined on the basis of a resolution by the General Meeting of Shareholders. The Annual General Meeting decided to set the base remuneration for 2014 paid to each member of the Board of Directors at \$160,000 (one hundred and sixty thousand US dollars).

A member of the Board of Directors may receive a bonus that shall not exceed two base remunerations. The amount of the bonus is determined on the basis of the member's contribution to the work of the Board of Directors and its Committees and recommendations given by the Human Resources, Remuneration and Social Policies Committee.

Remuneration is paid following a decision by NLMK's General Meeting of Shareholders.

Regulations on Remuneration of Members of the Board of Directors of Novolipetsk Steel set the rules for reimbursing Board members' work-related expenses. The following expenses are considered to be reimbursable:

- Transportation costs of the members of the Board of Directors incurred while travelling to meetings
- Costs for accommodation incurred while attending meetings
- Representation expenses
- Costs associated with obtaining the professional advice of experts on issues under consideration at the meetings of the Board of Directors

- Costs associated with translating materials to be studied by members of the Board of Directors into a foreign language.

The maximum amount of a Board member's expenses reimbursed by NLMK during a settlement period is determined by a decision of the General Meeting of Shareholders and shall not exceed 30% of the base remuneration. The compensation shall be paid only if the member of the Board of Directors participated in more than a half of meetings held by the Board of Directors.

Since the Company does not have any stock option programmes, members of the Board of Directors are not provided with an opportunity to participate in them, and their right to sell their NLMK shares is not linked to performance.

Remuneration and compensation of members of the Management Board

The remuneration system for members of NLMK's executive bodies and other key executives links the remuneration to NLMK's performance and their contribution to it. NLMK is consistently implementing a long-term motivation programme for members of NLMK's executive bodies and other key executives.

In accordance with the Regulations on the Management Board, members of the Board shall receive remuneration and compensation for expenses related to the performance of their responsibilities as members of the Board for their period of service. The conditions and procedure for remuneration of Management Board members are governed by an agreement that is concluded with Board members as advised by the Human Resources, Remuneration, and Social Policies Committee. The Management Board shall be compensated in monetary form.

The following principles outline the mechanism for determining the amount of compensation that is awarded to NLMK top management:

- Honest and efficient performance of their duties by members of the Management Board
- Rational use of the rights that are granted to them
- The size of the bonuses awarded to members of the Management Board is dependent on their achievement of key performance indicators (KPIs) and on the Company's overall results during the reporting period
- Active involvement by members of the Management Board in the work of the Group's executive bodies.

Remuneration paid to Board members in 2014–2015

	2014 '000 rubles	2015 '000 rubles	2015 \$ million
Payments to Board members, incl.:	125,585	162,549	2.67
Remuneration	123,605	160,054	2.63
Salary	-	-	-
Bonuses	-	-	-
Commission	-	-	-
Benefits	-	-	-
Refunded expenses	1,980	2,495	0.04
Other types of remuneration	-	-	-

Remuneration paid to Management Board members in 2014–2015

	2014 '000 rubles	2015 '000 rubles	2015 \$ million
Payments to Board members, incl.:	486,545	560,604	9.20
Salary	120,576	198,191	3.25
Bonuses	362,846	359,957	5.91
Commission	-	-	-
Benefits	-	-	-
Refunded expenses	3,123	2,440	0.04
Other types of remuneration	-	16	0.00

OPERATIONAL CONTROL AND RISK MANAGEMENT

SUPERVISION OVER THE FINANCIAL AND BUSINESS ACTIVITIES

Transition to new consolidated financial reporting standards

Keeping up with the recent regulatory changes in Russia, NLMK switched to reporting its consolidated financial results under the International Financial Reporting Standards (IFRS) starting from its report for the first nine months of 2015.

The date of the first-time adoption of IFRS is 1 January 2013; the first reporting under IFRS was NLMK's consolidated financial statement for the year ending on 31 December 2014, with data for 2013 as the benchmark. The timeframe for the transition to IFRS was due to the narrowing gap between US GAAP and IFRS principles in 2012–2014; this made data reported under US GAAP and IFRS more easily comparable and helped improve the transition process.

The transition to IFRS had no significant effect on the Company's financial performance data.

External Auditor

According to the legislation of the Russian Federation, the Group's General Shareholders' Meeting selects auditors on an annual basis. The Audit Committee advances candidates for Group auditor who are recognized independent auditors with strong professional reputation for consideration by the Board of Directors.

The Audit Committee is guided by the following core principles when making its recommendations:

- The qualifications of the audit organization and its professional reputation
- The quality of its services
- Its compliance with auditor independence requirements.

AO PricewaterhouseCoopers Audit was selected at the Annual General Shareholders' Meeting held in June 2015, to conduct an audit of financial statements prepared in accordance with Russian Accounting Standards (RAS), the US Generally Accepted Accounting Principles (US GAAP), and International Financial Reporting Standards (IFRS). Address: 10 Butyrsky Val, Moscow, 125047, Russia.

Remuneration

The Board of Directors has determined the amount of remuneration for audit services (review) of the US GAAP consolidated financial statements of NLMK for H1 2015, the IFRS consolidated financial statements of NLMK for 9M 2015, 12M 2015 and Q1 2016, and the RAS Statements for 2015 to be US\$ 1,000,000 and 32 million rubles (excluding VAT).

Independence of external auditors

In 2015, AO PricewaterhouseCoopers Audit performed audits of consolidated financial statements prepared in accordance with US GAAP and IFRS; and financial statements of NLMK Group's major companies in accordance with RAS.

AO PricewaterhouseCoopers Audit has several systems to ensure the independence of its auditors, for example, it regularly rotates the key staff in its audit working group (as least once every seven years).

The Group has hired AO PricewaterhouseCoopers Audit and other PricewaterhouseCoopers companies (hereafter PwC) to provide consulting (non-audit) services.

The management of NLMK has conducted the necessary procedures, and is sure that these services do not affect the independence of the auditor and are not related to financial reporting. The share of consulting (non-audit) services provided



by ZAO PricewaterhouseCoopers Audit for NLMK in 2015 did not exceed 10% of the total amount of services performed.

Internal Audit Commission

Corporate governance in action

The Internal Audit Commission is a full-time internal control authority exercising continuous supervision over the financial and business activities of the Company. The Internal Audit Commission operates under the Charter and the Internal Audit Commission Regulations. It audits the financial and business activities of NLMK Group in order to obtain adequate assurance that the activities of NLMK Group comply



with applicable Russian Federation laws and do not infringe upon the rights of Company shareholders, and that the Company reports and accounts contain no material misstatements.

The Internal Audit Commission acts for the protection of the shareholders' investments and the Group's assets and is elected by the General Meeting of Shareholders for a term until the next Annual General Meeting of Shareholders. The Internal Audit Commission report is an essential part of NLMK's RAS Financial Statements.

The members of the Internal Audit Commission were elected on 5 June 2015 at the Annual General Meeting of Shareholders. As of 31 December 2015 the Internal Audit Commission had the following composition:

- Vladislav Ershov
- Natalia Krasnykh
- Vladimir Markin
- Sergey Nesmeyanov
- Galina Shipilova

Activities of the Internal Audit Commission in 2015

The newly elected Internal Audit Commission held one meeting in 2015 to discuss its operation in 2015, elect its chairman and approve an audit plan and programme. The Commission reviewed the Group's financial and business activities for 2015 in accordance with its powers and on the basis of the approved plan.

Remuneration

Remuneration to members of the Internal Audit Commission is paid in accordance with the Regulations on NLMK Group's Internal Audit Commissions approved by NLMK's President (Chairman of the Management Board) on 25 November 2014. According to the Regulations, the main criterion for determining whether to pay the remuneration is participation in audits of the Company's

Remuneration paid to Internal Audit Commission members in 2014–2015

	2014 '000 rubles	2015 '000 rubles
Payments to Commission members, incl.	18,142	6,700
Salary	6,912	3,670
Bonuses	1,445	2,906
Remuneration for participation in the Commission's activities	180	-
Refunded expenses	-	-
Other types of remuneration	9 605	124

financial and business operations. The remuneration paid to members of the Internal Audit Commission shall be equal to the amount of base remuneration, which is determined by the Regulations.

The total remuneration paid to members of the Internal Audit Commission for audits of NLMK's operations in 2015 was 220,000 rubles (\$4,000).

Audit Committee

Committee's activities and powers

The Audit Committee chaired by an independent director was established to contribute to effective performance of functions related to supervision of the Company's financial and business activities by the Board of Directors.

The Committee's main objectives are to improve efficiency of internal control, risk management and corporate governance systems, verify the accuracy of financial statements, supervise the internal and external audit, and prevent fraud by employees and other parties.

According to Regulations on the Audit Committee approved in December 2015, the Audit Committee with the following membership was established at the meeting of the Company's Board of Directors:

- Benedict Sciortino (Chairman)
- Karen Sarkisov
- Nikolai Gagarin
- Stanislav Shekshnya
- Franz Struzl

Secretary of the Committee: Andrei Dozhdikov (Head of Consolidated Financial Statements Department).

Results of the Committee's activity for 2015

In 2015 there were 6 meetings of the Audit Committee held in-person, including 3 held by conference call.

The Committee reviewed and passed resolutions on the following key issues:

- Review of the results of the audit of NLMK's 2014 US GAAP Consolidated Financial Statements
- Review of the results of the audit of NLMK's 2014 IFRS Consolidated Financial Statements
- Review of the results of the audit of NLMK's 2014 RAS Financial Statements
- Review of draft interim abridged US GAAP Consolidated Financial Statements for Q1 and H1 2015; and IFRS Consolidated Financial Statements for 9M 2015
- Review of potential auditors for NLMK Group's RAS and IFRS-based consolidated financial statements for 2015
- Review of the report on the progress of the Risk Management, Internal Control and Internal Audit business process development
- Review of the results of risk management activities and the risk matrix for 2015
- Review of the report on the Internal Audit Service performance in 2014, and the audit plan for 2015

- Review of the reports on the interim results of the Group's Internal Audit Service operation, risk management and internal control activities

Internal Audit

Practices

Internal Audit is an integral part of NLMK's internal control system, exercising continuous supervision over the financial and business activities of the Company. Internal auditing is an activity designed to provide objective and impartial assurance and consulting in order to enhance the organizational activities. The key functions of the Internal Audit Department are as follows:

- Assess efficiency of the internal control system
- Assess efficiency of the risk management system
- Assess efficiency of corporate governance
- Consulting

Internal auditing activity is performed by the Internal Audit Department and local Internal Audit offices of NLMK Group's companies. Head of Internal Audit interacts with the local Internal Audit offices by undertaking:

- General functional management of local Internal Audit offices
- Organization of methodological support for Internal Audit activities
- Quality control
- Organization of consulting services

Internal Audit activities in 2015

In 2015, Internal Audit experts performed the following activities:

- Audits of risk management efficiency in relation to material risks and assessments of efficiency of the internal control system applicable to business processes. The audits revealed both insignificant and significant deficiencies. It confirms that the risk management system is in place, yet certain organizational weaknesses and/or control procedure compliance issues exist which could have an impact on achieving process objectives
- Assessment of NLMK's corporate governance efficiency. The efficiency was assessed as high and complying with the requirements of Stock exchanges
- Audits of Company's financial and business activities; compliance with

Participation of committee members in committee meetings in 2015

Full name	Position	Participation in meetings in 2015*
Benedict Sciortino	Chairman of the Committee	6 (6)
Franz Struzl	Member of the Committee	6 (6)
Stanislav Shekshnya**	Member of the Committee	-
Nikolai Gagarin	Member of the Committee	6 (6)
Karen Sarkisov	Member of the Committee	6 (6)

* The number of the Committee's meetings over the period of the person's participation as a member of the Committee is specified in brackets.

** Elected to the Committee in December 2015.

financial and tax accounting regulations; and preparation of financial (tax) statements

- Experts of Internal Audit Department conducted internal audits in NLMK Group's companies in accordance with the laws on joint-stock companies and charters of limited liability companies. Internal audits were conducted in 17 subsidiaries and affiliates followed by reports on validity of accounting (financial) statements
- Consulting services: consulting services were provided to business units of the Lipetsk site and other NLMK Group's companies on issues related to taxation and financial and business activities; auditors participated in meetings of commissions and work groups and shared their opinions on subject matters
- Audits of repair and construction activities

Following the audits, auditors provided recommendations on how to improve NLMK Group activities, including improvement of the company's risk management and internal control system. Internal Audit consistently monitors implementation of its recommendations. In 2015, 95% of auditors' recommendations were implemented.

Anti-corruption efforts

NLMK Group is guided by high ethical standards and principles of business transparency. Respect for existing legislation, professionalism and honesty are essential for all NLMK Group employees.

NLMK adheres to best corporate governance practices and deems any form of corruption to be unacceptable, including bribery, collusion, corrupt payments, abuse of position, facilitation payments, etc. Direct and indirect involvement of NLMK Group employees in corrupt activities is prohibited without exception.

NLMK Group is a member of the Anti-Corruption Charter of the Russian Business, which was established by the Russian Union of Industrialists and Entrepreneurs; this underlines NLMK's commitment to promoting fair business and corporate governance

practices in Russia and encouraging fair competition and sustainable economic growth.

NLMK Group companies have an extensive internal communications network that enables all employees to report any instances of corruption, past and future. At Novolipetsk, concerns can be reported to a special hotline; at a face-to-face meeting with executives or the person in charge of anti-corruption enforcement, or to Asset Protection. Staff members can also send e-mails to a special address, anticorruption@nlmk.com, or use 'help boxes' placed at entrance checkpoints.

NLMK Group adopted special practices for operations with the highest risk of fraud: conflicts of interest should be declared, and employees should undergo psychophysiological tests. Their Internal Regulations were amended to include anti-corruption responsibilities.

Acknowledgement of and compliance with the principles and practices set out in the Anti-Corruption Charter of the Russian Business is one of the standard qualification criteria our potential counterparties should meet to become NLMK Group's partners. The Roadmap of the Charter is an integral part of the standard contractual relationship between NLMK Group companies and their partners.

The formalization and implementation of processes within our anti-corruption system are expected to be completed in 2016.

RISK MANAGEMENT

NLMK risk management system

NLMK Group's business is exposed to various risks. The Group has adopted a risk management system to make optimal decisions in the course of its activities. The system includes risk identification, classification and impact assessment procedures, as well as development of risk management measures and mitigation of the negative impact of external factors.

Our risk management policy is aimed at protecting the interests of shareholders,

stakeholders and the Company in general through an efficient risk management system.

Risk mitigation is one of the key prerequisites for achieving our targets and improving key performance indicators.

The Group has a number of regulations concerning the risk management system in general and the key risk management methodologies and procedures.

The responsibilities within the risk management system are allocated as follows:

- The Management Board approves the critical/significant risk matrix and risk management action plan and monitors the performance of the risk management system
- The Audit Committee approves the critical/significant risk management programme and monitors the performance of the risk management system
- The Risk Management Committee performs day-to-day risk management duties, determines assessment approaches and risk structure and develops risk management and impact mitigation measures
- Risk owners identify new threats and implement the approved risk management programme

Changes introduced to the risk management system in 2015

The Company continued with integration processes in 2015 to further develop its risk management system. Specifically, it appointed risk management and internal control coordinators across NLMK Group operations and functions. Their main task is to communicate the approaches and values of the risk management system to all business units.

In 2015, NLMK Group approved its Credit Policy, improved the Maintenance Schedule and developed a draft Anticorruption Policy.

Risks NLMK is exposed to

Risk	Impact level	Description	Mitigation measures
PRODUCTION RISKS			
Business continuity risk	Critical risk	Risks related to downtime caused by equipment failure, human errors, supply of low-quality raw materials, or other sources of risk, including acts of nature	Maintenance and repair programmes, a system for controlling incoming raw materials and supplies
Equipment productivity reduction risk and low quality product risk	Significant risk	Risks related to limited equipment availability and lower equipment productivity and quality of end products	Operational efficiency programme
COMMERCIAL RISKS			
Price risk	Critical risk	Risk associated with unfavourable changes in market prices and the government's position on energy pricing	<ul style="list-style-type: none"> ▪ Monitoring spreads between steel products and key raw materials ▪ Development of a purchasing strategy by category of material
Credit risk	Critical risk	Risk caused by counterparty default on payment or supply of products (accounts receivable and advance payments) or NLMK Group's bank deposits	The credit risk is minimized through credit security, accounts receivable insurance, limits on certain types of credit, and concentration risk management
Risk of inefficient ready inventory management	Critical risk	Risk caused by inefficient inventory management: non-compliance with (absence of) standards, unlawful actions by inventory keepers or poor logistics chain	Development of raw material and end product stock keeping standards, audit and stock taking
FINANCIAL RISKS			
Currency risk	Critical risk	Risks associated with fluctuations in currency rates. The Company receives the majority of its revenues from exports in foreign currency, while the majority of expenditure is established in Russian rubles	Control of open foreign exchange position
INVESTMENT RISKS			
Investment risk	Critical risk	Risk associated with failure to achieve project KPIs, including completion deadlines, project budget and surplus inventory	<ul style="list-style-type: none"> ▪ Application of project management principles ▪ Assessment of risks related to each project ▪ Root cause analysis for key risks. Development of preventive measures
REGULATORY RISKS			
Tax risk	Significant risk	When accounting, declaring and paying taxes, the Company seeks to comply with all requirements of the applicable legislation. Nonetheless, changes in tax laws and regulators' enforcement practices, as well as introduction of new business processes and operations expose the Company to tax risks	<ul style="list-style-type: none"> ▪ Continuous monitoring of tax legislation ▪ Regular diagnostic and strengthening of internal control for tax accounting, declaration and payment processes

Risk	Impact level	Description	Mitigation measures
Free trade restriction risks	Significant risk	The significant volume of exports and imports make the Company vulnerable to tariff and non-tariff measures, as well as other restrictions imposed by foreign regulators on raw and other materials and equipment purchased by the Company, and the products the Company sells	<ul style="list-style-type: none"> Monitoring of foreign regulators' activities Promotion of the Company's interests through available legal tools, transparency and effective interaction with regulators Sales channel management to minimize the negative effect of sanction regimes
OPERATIONAL RISKS			
Environmental risk	Critical risk	Risk of environmental changes or unfavourable long-term consequences of these changes resulting from negative environmental impact	The Company is implementing a comprehensive investment programme aimed at upgrading pollution prevention equipment, introducing new, more eco-friendly production technologies and ensuring compliance with environmental standards
Occupational health and safety risks	Significant risk	Risks associated with the occurrence of accidents and other incidents	<ul style="list-style-type: none"> Development and implementation of a corporate OHS management system with unified standards across all sites Development of NLMK Group's preventative fire safety system Ensuring employees are supplied with the latest personal protection and hygiene equipment OHS training for managers and experts.
Fraud, corruption and asset theft risk	Significant risk	Risk associated with illegal actions (fraud) taken by employees, counterparties and third parties to benefit themselves to the prejudice (at the expense) of NLMK's interests	<ul style="list-style-type: none"> Promotion of principles stipulated in the Anticorruption Policy and Ethics Code Declaration of absence of a conflict of interests by employees in positions that are most vulnerable to the risk Development of the Company's hotline as an important and secure channel for informing the Company about corruption and fraud Qualification of counterparties engaged by the Company with regard to their compliance with anticorruption principles Regular diagnostic of the Company's internal control system
IT risks	Significant risk	<ul style="list-style-type: none"> The Company is exposed to IT risks as its processes and data flows are heavily dependent on applied IT solutions. There are two key areas of IT risk management: Protection of information classified as trade secrets, personal data and information intended for internal use Delivery of business process continuity and high availability of IT systems and infrastructure 	<ul style="list-style-type: none"> Strengthening of NLMK Group's regulations concerning information security, business continuity procedures and emergency response plans Implementation of several projects aimed at strengthening the Company's information security, including introduction of SAP GRC access control tools, comprehensive roll-out of information protection tools and a project to improve the maturity of critical business system change management

INFORMATION FOR SHAREHOLDERS

ORDINARY SHARES

The Group's share capital is divided into 5,993,227,240 shares with a nominal value of RUB 1 each. NLMK's shares are traded on the MICEX and RTS trading platforms of the Moscow Stock Exchange, as well as in the form of Global Depository Shares (GDS) (1 GDS = 10 ordinary shares) on the London Stock Exchange (LSE).

LSE (London) Ticker Code	NLMK
MICEX (Moscow) Ticker Code	NLMK
Bloomberg Ticker Code	– NLMK LI for GDS traded on the LSE – NLMK RX for shares traded on the MICEX platform of the Moscow Exchange
Reuters Ticker Code	– NLMKq.L for GDS traded on the LSE – NLMK.MM for shares traded on the MICEX platform of the Moscow Stock Exchange

Indices that include NLMK shares

- RTS Index (NLMK's share as at 15.03.16 – 0.76%)
- MICEX index (NLMK's share as at 15.03.16 – 0.76%)
- Moscow Stock Exchange Metals & Mining (NLMK's share as at 15.03.16 – 13.86%)
- FTSE Russia IOB index.

Global Depository Shares (GDS)

The ratio of Global Depository Shares to ordinary shares is 1:10. The volume of Global Depository Shares issued by NLMK and traded on the London Stock Exchange amounted to 8.56% of share capital as of 31 December 2015.

The Company's depository bank is Deutsche Bank Trust Company Americas.

Share price

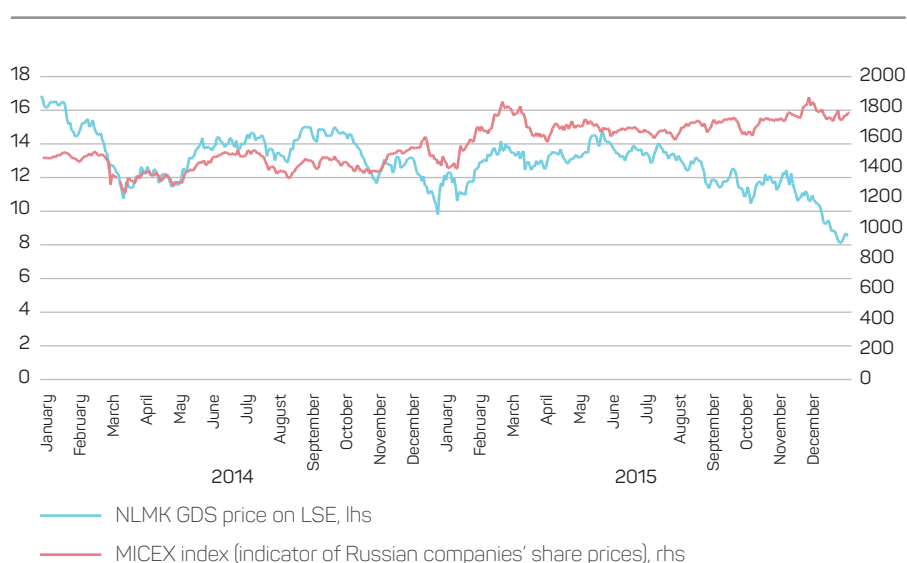
NLMK Global Depository Shares on the London Stock Exchange

Price of GDS (US\$)	2015	2014
Maximum	14.80	16.69
Minimum	8.11	9.80
Mean	12.36	13.45
End of year	8.51	11.48

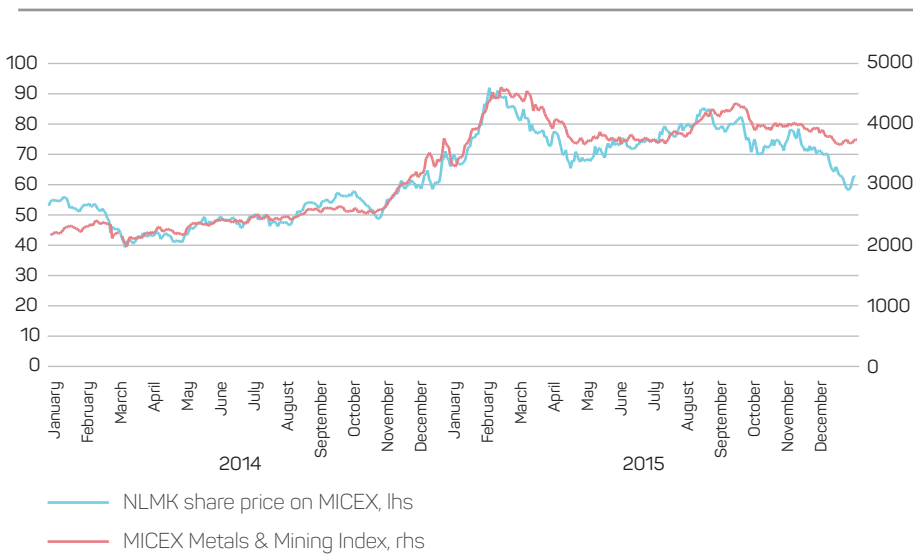
Ordinary NLMK shares on MICEX

Share price (RUB)	2015	2014
Maximum	92.00	71.02
Minimum	58.29	39.30
Mean	75.21	51.66
End of year	62.6	67.41

NLMK GDS price on the London Stock Exchange (LSE) (\$/GDS)



NLMK share price on MICEX (RUB/share)



Market capitalization

NLMK market capitalization in 2015 was largely in line with the general trends seen in capital markets and the global steel market. Average market capitalization of the Company on the London Stock Exchange was US\$ 7.4 billion (-8% year-on-year). At the end of 2015, NLMK share price was US\$0.85, or US\$8.51 per GDS, consistent with capitalization of US\$ 5.1 billion.

Taxation

Legal entities

Tax treatment of organizations' revenues received as dividends on shares is governed by Chapter 25 'Tax on Organizations' Profit' of the Russian Tax Code. Dividends paid to organizations that are Russian taxpayers are subject to a 0% or 13% income tax (subclauses 1 and 2 of Clause 3 of Article 284 of the Russian Tax Code); foreign organizations are subject to a 15% income tax (subclause 3 of Clause 3 of article 284 of the Russian Tax Code).

Individuals

The personal income tax rate is 13% for Russian individuals (Clause 1 of Article 224 of the Russian Tax Code) and 15% for foreign individuals (paragraph 2 of Clause 3 of article 224 of the Russian Tax Code).

Note: Information on taxation is provided for general information purposes only. Potential and existing investors should consult with their

own advisors regarding the tax consequences of investing in the Company's shares, including Global Depository Shares (GDS).

DIVIDENDS

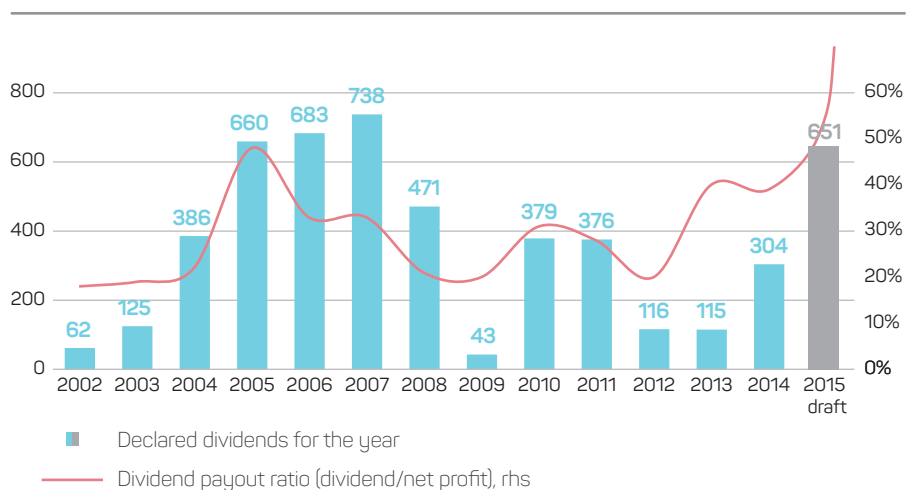
Dividend policy

The dividend policy was updated in 2015 to improve the transparency of dividend payouts.

According to the current dividend policy, dividends are to be paid with the payout in the range of:

- 50% of net income and 50% of free cash flow calculated based on US GAAP/ IFRS

Dividend history (US\$ m)



consolidated financial statements, if Net debt/ EBITDA is 1.0x or less.

- 30% of net profit and 30% of free cash flow calculated on US GAAP/IFRS consolidated financial statements, if Net Debt/EBITDA exceeds 1.0x.
- Dividends are paid annually. If conditions for financial stability are maintained, NLMK will strive to pay interim dividends on a quarterly basis.
- The amount to be paid as a dividend for a specific period is approved by company shareholders in line with recommendations by the Board of Directors.

Dividends payable to GDS holders

Any dividends paid on shares certified by GDS will be declared and paid to the Depository in roubles or foreign currency, converted into US dollars by the Depository (in the case of dividend payment in a currency other than US dollars), and distributed to the holders of GDS, net of fees and Depository expenses.

The Board of Directors recommends that the Annual General Meeting of NLMK Shareholders pay (announce the payment of) 2015 dividends for ordinary shares in the amount of RUB 6.95 in cash per one ordinary share. Taking into account that interim dividends have been paid in the amount of RUB 4.52 per one ordinary share, the remaining balance to be paid per one ordinary share is RUB 2.43.

The Board of Directors recommended using the balance of profits after payment of dividends for funding investment programmes and paying dividends in the future.

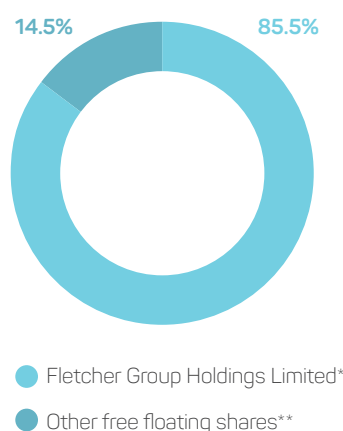
CORPORATE DOCUMENTS

The Group's corporate documents, including the Company Charter, are available at www.nlmk.com.

FINANCIAL REPORTING AND DISCLOSURE

The Group posts announcements of financial results on the London Stock Exchange website via the regulatory news service (RNS) and then publishes them on the Group website in the form of press releases, and distributes them to the media. The Company publishes its financial results on a quarterly basis. The annual report is published in electronic form on the Group website, www.nlmk.com, on the day of its official publication. The Group shall give notice of this date in a specially issued press release. A hard copy of the annual report is available on request in the office of the Register of Shareholders and NLMK PR Consultants' office in London.

Structure of share capital as at 31 December 2015



* The company's beneficiary is Vladimir Lisin, according to the definition of 'beneficiary' in the Russian legislation.

** All other free-floating shares, including global depository shares traded on the London Stock Exchange (Deutsche Bank Trust Company Americas is NLMK's depository bank) and shares traded on Moscow Exchange.

Financial calendar for 2016

Date	Event
19-5 January 2016	Q4 2015 trading update
24 March 2016	12M 2015 consolidated financial results
24 March 2016	NLMK Capital Markets Day
25 March 2016	12M 2015 financial results for the Group's major companies (under Russian Accounting Standards, RAS)
14 April 2016	Q1 2016 trading update
22 April 2016	Meeting of the Board of Directors (BoD)
17 May 2016	Q1 2016 consolidated financial results
3 June 2016	Annual General Meeting of Shareholders
14 July 2016	Q2 2016 trading update
25-29 July 2016	H1 2016 consolidated financial results
8-12 August 2016	Meeting of the Board of Directors (BoD)
26-30 September 2016	Extraordinary General Meeting of Shareholders
13 October 2016	Q3 2016 trading update
31 October - 4 November 2016	9M 2016 consolidated financial results
14-18 November 2016	Meeting of the Board of Directors (BoD)
19-21 December 2016	Extraordinary General Meeting of Shareholders

CONTACTS FOR SHAREHOLDERS

Registrar

The register of holders of NLMK securities is maintained by the Regional Independent Registrar Agency (RIR Agency).

Registered address: 10 B, 9 Maya St., Lipetsk, 398017, Russia

Telephone: +7 (4742) 44-30-95

E-mail: info@a-rnr.ru

Depository bank

Deutsche Bank Trust Company Americas

New York Headquarters

60 Wall St., New-York, NY, 10005

USA

London Office

Winchester House
1 Great Winchester St.
London EC2N 2DQ
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E-mail: loskutov_va@nlmk.com

Sergey Takhiev

Head of Investor Relations

Tel.: +7 (495) 915 15 75

E-mail: tahiev_sa@nlmk.com

Financial statements and appendix



RESPONSIBILITY STATEMENT

NLMK management, having considered the information available regarding the activities of the Company, confirms its responsibility for:

1. Preparation and reliability of the Group's consolidated financial statements, prepared in accordance with IFRS, as of December 31, 2015, 2014 and 2013, and also for the years ended on those dates, within balance sheets, profit and loss statements, cash flow statements, equity statements and the statements on the total income of shareholders and notes to the consolidated financial statements.

Management confirms the reliability of NLMK's financial status, operational results and cash flow results, as well as its subsidiaries and dependent companies in the consolidated financial statements.

2. The completeness and correctness of the information submitted in the NLMK Group Annual Report for 2015, specifically the information on the operational results of NLMK Group, the results of its strategic development, risks and events which in the near future may have impact on the operations of the Group.

The Company management confirms that the operational and financial indices fully reflect the outcome of NLMK Group's operations in 2015 and main changes regarding the previous periods as well as give a comprehensive representation on the development of NLMK and its subsidiaries and dependent companies.

President (Chairman of the Management Board)

 Bagrin

NLMK subsidiaries and affiliates as of 31.12.2015 r.

No	Company name	Activity	Novolipetsk in Charter Capital (%)
Subsidiaries			
1	VIZ-Steel, Limited Liability Company	Production and marketing of electrical steel.	100
2	Vtorchermet NLMK, Limited Liability Company	Collection, processing and sales of ferrous and non-ferrous scrap	100
3	Zhernovsky-1 Mining and Processing Complex, Limited Liability Company	Entire range of works related to coal mining and processing	100
4	Usinsky-3 Mining and Processing Complex, Limited Liability Company	Entire range of works related to coal mining and processing	100
5	Hotel Metallurg, Limited Liability Company	Hotel services	100
6	SHANS Lipetsk Insurance Company, Limited Liability Company	Insurance	100
7	NLMK Information Technologies, Limited Liability Company	IT, computing and telecom services.	100
8	NLMK Kaluga, Limited Liability Company	Production of steel, re-rolling stock (billets), hot-rolled and forged flats, unpainted and pre-painted cold-rolled flat steel	100
9	NLMK-Metiz, Limited Liability Company	Production of pig iron, ferrous alloys, steel, hot and cold-rolled flat steel	100
10	NLMK-Svyaz, Limited Liability Company	Telecom services	100
11	NLMK-Sort (NLMK Long Products), Limited Liability Company	Managing company, trading and procurement activities	100
12	NLMK-Uchetniy Tsentri (Accounting Centre), Limited Liability Company	Book-keeping and tax accounting services for NLMK Group businesses	100
13	NLMK Overseas Holdings, Limited Liability Company	Develops the growth strategy for NLMK Group companies, supports relations between the Group's Russian and international businesses	100
14	Novolipetskaya Metallobaza, Limited Liability Company	Manufacturing of plastic and steel products	100
15	Novolipetsky Pechatny Dom (Printing House), Limited Liability Company	Printing services	100
16	Novolipetsky Metallurg Resort, a subsidiary of Novolipetsk	Rest and recreation services, health and rehabilitation facility.	100
17	NLMK Construction and Assembly Trust, Limited Liability Company	Contracting of industrial, housing, utilities, cultural services and road construction works. Construction of health facilities, household natural gas supply lines.	100
18	NLMK Trade House, Limited Liability Company	Consolidated purchases of raw materials and inputs, sale of NLMK Group by-products	100

19	Uralvtorchermet, Closely-held Joint-Stock Company	Consulting services re commercial activities, management, investing in securities, leasing of assets.	100
20	Ussuriyskaya Metallobaza, Limited Liability Company	Acquisition, processing, storage and domestic sale of ferrous and non-ferrous metals.	100
21	Altai-Koks, Open Joint-Stock Company	Production and marketing of coke and by-products, generation and marketing of heat and electric power	100
22	Dolomit, Open Joint-Stock Company	Mining and processing of dolomite	100
23	Stoilensky Mining and Processing Plant, Open Joint-Stock Company	Mining and processing of iron ore and other minerals	100
24	Studenovskaya Joint Stock Mining Company, Open Joint-Stock Company	Production of fluxing limestone for steel-making, process limestone for the sugar industry, lime-containing materials and crushed stone for construction and roadwork	100
25	Nizhneserginsky Metizno Metallurgicheskiy Zavod (NSMMZ), Open Joint-Stock Company»	Production of long steel stock, hot-rolled and forged flat steel	92,59
26	Lipetsky Giprometz, Limited Liability Company	Design and survey operations	57,57
27	Maxi-Group, Open Joint-Stock Company	Consulting services, corporate financial management	50,00005
Affiliated companies			
28	Neptune, Limited Liability Company	Wellness services	25



NOVOLIPETSK STEEL

CONSOLIDATED FINANCIAL STATEMENTS

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

**AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2015**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)



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Independent Auditor's Report

To the Shareholders and Board of Directors of Novolipetsk Steel:

We have audited the accompanying consolidated financial statements of Novolipetsk Steel and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for 2015, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.



Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

AO PricewaterhouseCoopers Audit

23 March 2016

Moscow, Russian Federation

A.M. Utkin, Director (licence no. 01-000167),
AO PricewaterhouseCoopers Audit



Audited entity: Novolipetsk Steel

State registration certificate № 5, issued by the Administration of Levoberezhny district of the city of Lipetsk on 28 January 1993.

Certificate of inclusion in the Unified State Register of Legal Entities issued on 9 July 2002 under registration № 1024800823123

2, Metallurgov sq., Lipetsk, 398040, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations



	Note	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Assets				
Current assets				
Cash and cash equivalents	3	343.0	549.2	970.0
Short-term financial investments	5	1,242.6	621.3	485.0
Trade and other accounts receivable	6	920.9	1,122.5	1,459.0
Inventories	7	1,205.3	1,562.8	2,123.8
Other current assets		8.8	5.3	7.6
		3,720.6	3,861.1	5,045.4
Non-current assets				
Long-term financial investments	5	219.8	141.3	82.5
Investments in associates and other companies accounted for using the equity method of accounting	4	117.7	106.2	419.1
Property, plant and equipment	8	4,452.3	5,613.6	9,892.1
Goodwill	9	214.6	285.4	463.4
Other intangible assets	9	112.3	193.9	374.5
Deferred income tax assets	17	68.2	124.9	136.4
Other non-current assets		13.9	23.0	39.6
		5,198.8	6,488.3	11,407.6
Total assets		8,919.4	10,349.4	16,453.0
Liabilities and equity				
Current liabilities				
Trade and other accounts payable	10	726.4	775.9	1,161.8
Short-term borrowings	11	559.8	804.3	1,136.7
Current income tax liability		27.7	47.5	21.6
		1,313.9	1,627.7	2,320.1
Non-current liabilities				
Long-term borrowings	11	2,116.3	1,964.2	3,053.8
Deferred income tax liability	17	339.3	407.4	641.0
Other long-term liabilities		12.2	93.4	39.6
		2,467.8	2,465.0	3,734.4
Total liabilities		3,781.7	4,092.7	6,054.5
Equity attributable to NLMK shareholders				
Common stock	12(a)	221.2	221.2	221.2
Additional paid-in capital	23(f)	9.9	-	-
Accumulated other comprehensive loss		(6,988.4)	(5,491.9)	(839.9)
Retained earnings		11,883.4	11,512.7	10,989.1
		5,126.1	6,242.0	10,370.4
Non-controlling interests		11.6	14.7	28.1
Total equity		5,137.7	6,256.7	10,398.5
Total liabilities and equity		8,919.4	10,349.4	16,453.0

The consolidated financial statements as set out on pages 5 to 65 were approved on 23 March 2016.

	Note	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Revenue	14	8,008.3	10,395.7	10,818.4
Cost of sales		(5,495.7)	(7,389.0)	(8,665.9)
Gross profit		2,512.6	3,006.7	2,152.5
General and administrative expenses		(261.1)	(364.3)	(456.9)
Selling expenses		(801.6)	(923.1)	(945.6)
Other operating income / (expenses)		14.1	6.1	(6.6)
Taxes, other than income tax	16	(75.7)	(137.5)	(134.6)
Operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets		1,388.3	1,587.9	608.8
Loss on disposals of property, plant and equipment		(7.6)	(11.9)	(23.0)
Impairment losses and write-off of assets	4, 8	(85.5)	(657.2)	(21.0)
Share in net losses of associates and other companies accounted for using the equity method	4	(103.0)	(193.1)	(54.0)
Result of disposal of subsidiary	20	-	-	(51.4)
Income on change of restructuring provision		-	-	7.5
Gains on investments	20	80.3	37.4	2.3
Finance income	18	51.9	36.5	40.6
Finance costs	18	(95.3)	(136.8)	(121.9)
Foreign currency exchange gain, net	19	109.5	488.2	85.2
Other expenses, net		(17.5)	(15.0)	(53.9)
Profit before income tax		1,321.1	1,136.0	419.2
Income tax expense	17	(352.9)	(362.4)	(255.0)
Profit for the year		968.2	773.6	164.2
Profit attributable to:				
NLMK shareholders		967.4	772.5	145.4
Non-controlling interests		0.8	1.1	18.8
Earnings per share – basic and diluted:				
Earnings attributable to NLMK stockholders per share (US dollars)	13	0.1614	0.1289	0.0243
Weighted-average shares outstanding: basic and diluted (in thousands)	12(a)	5,993,227	5,993,227	5,993,227



	Note	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Profit for the year		968.2	773.6	164.2
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustment	2(b)	(1,500.3)	(4,666.5)	(780.4)
Total comprehensive loss for the year attributable to		(532.1)	(3,892.9)	(616.2)
NLMK shareholders		(529.1)	(3,879.5)	(634.5)
Non-controlling interests		(3.0)	(13.4)	18.3

Novolipetsk Steel
Consolidated statement of changes in equity for the year ended 31 December 2015
(millions of US dollars)



		NLMK shareholders					
				Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	Total equity
Note		Common stock	Additional paid-in capital				
	Balance at 1 January 2013	221.2	-	-	11,008.8	(32.9)	11,197.1
	Profit for the year	-	-	-	145.4	18.8	164.2
	Cumulative translation adjustment	2(b)	-	(779.9)	-	(0.5)	(780.4)
	Change of non-controlling interests in existing subsidiaries	-	-	-	(49.5)	42.7	(6.8)
	Disposal of other comprehensive income as a result of deconsolidation	20	-	(60.0)	-	-	(60.0)
	Dividends to shareholders	12(b)	-	-	(115.6)	-	(115.6)
	Balance at 31 December 2013	221.2	-	(839.9)	10,989.1	28.1	10,398.5
	Profit for the year	-	-	-	772.5	1.1	773.6
	Cumulative translation adjustment	2(b)	-	(4,652.0)	-	(14.5)	(4,666.5)
	Dividends to shareholders	12(b)	-	-	(248.9)	-	(248.9)
	Balance at 31 December 2014	221.2	-	(5,491.9)	11,512.7	14.7	6,256.7
	Profit for the year	-	-	-	967.4	0.8	968.2
	Disposal of assets to an entity under common control	23(f)	-	9.9	-	(0.1)	9.8
	Cumulative translation adjustment	2(b)	-	(1,496.5)	-	(3.8)	(1,500.3)
	Dividends to shareholders	12(b)	-	-	(596.7)	-	(596.7)
	Balance at 31 December 2015	221.2	9.9	(6,988.4)	11,883.4	11.6	5,137.7



	Note	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Cash flows from operating activities				
Profit for the year		968.2	773.6	164.2
Adjustments to reconcile profit for the year to net cash provided by operating activities:				
Depreciation and amortization		560.0	793.5	871.1
Loss on disposals of property, plant and equipment		7.6	11.9	23.0
(Income) / losses on investments		(80.3)	(37.4)	49.1
Finance income		(51.9)	(36.5)	(40.6)
Finance costs		95.3	136.8	121.9
Share in net losses of associates and other companies accounted for using the equity method	4	103.0	193.1	54.0
Deferred income tax expense / (benefit)	17	51.8	(15.9)	87.7
Impairment losses		85.5	657.2	-
Unrealized gains on foreign currency exchange		(173.4)	(574.0)	-
Other adjustments		(8.4)	31.5	14.2
Changes in operating assets and liabilities				
Decrease / (increase) in trade and other accounts receivable		98.2	(49.9)	(321.3)
Decrease / (increase) in inventories		82.8	(97.6)	(95.8)
(Increase) / decrease in other current assets		(5.5)	(1.8)	7.4
(Decrease) / increase in trade and other accounts payable		(75.5)	(28.9)	396.4
(Decrease) / increase in current income tax liability		(6.3)	50.1	2.1
Net cash provided by operating activities		1,651.1	1,805.7	1,333.4
Cash flows from investing activities				
Purchases and construction of property, plant and equipment		(594.7)	(562.6)	(756.3)
Proceeds from sale of property, plant and equipment		10.8	15.0	5.8
Purchases of investments and loans given, net		(198.8)	(231.6)	(87.4)
Placement of bank deposits, net		(641.0)	(197.1)	(264.4)
Interest received		43.6	30.7	40.4
Contribution to share capital of the company accounted for using the equity method	20	(22.0)	-	-
Advance VAT payments on imported equipment		(23.8)	-	-
Disposal of assets to an entity under common control	23(f)	9.8	-	-
Cash received in course of bankruptcy proceedings	24(b)	16.8	-	-
Disposal of investment in subsidiary	20	-	-	46.2
Net cash used in investing activities		(1,399.3)	(945.6)	(1,015.7)
Cash flows from financing activities				
Proceeds from borrowings		675.6	110.2	2,000.7
Repayment of borrowings and capital lease payments		(578.8)	(910.7)	(2,020.2)
Interest paid		(79.4)	(120.6)	(81.5)
Dividends to shareholders		(395.2)	(225.9)	(113.6)
Acquisition of additional stake in existing subsidiary		-	-	(9.6)
Net cash used in financing activities		(377.8)	(1,147.0)	(224.2)
Net (decrease) / increase in cash and cash equivalents		(126.0)	(286.9)	93.5
Effect of exchange rate changes on cash and cash equivalents		(80.2)	(133.9)	(74.7)
Cash and cash equivalents at the beginning of the year	3	549.2	970.0	951.2
Cash and cash equivalents at the end of the year	3	343.0	549.2	970.0



	Note	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Income tax paid		(320.9)	(352.4)	(143.3)
Placements of bank deposits		(1,594.7)	(1,997.8)	(1,232.0)
Withdrawals of bank deposits		953.7	1,800.7	967.6
Non cash investing activities:				
Fair value of assets disposed of in course of partial disposal of investment	20	-	-	867.3
Conversion of debt to equity	20	109.5	270.4	-

1 Background

Novolipetsk Steel (the “Parent Company”) and its subsidiaries (together – the “Group”) is one of the world’s leading steelmakers with facilities that allow it to operate an integrated steel production cycle. The Parent Company is a Russian Federation public joint stock company in accordance with the Civil Code of the Russian Federation. The Parent Company was originally established as a State owned enterprise in 1934 and was privatized in the form of an open joint stock company on 28 January 1993. On 12 August 1998 the Parent Company’s name was re-registered as an open joint stock company in accordance with the Law on Joint Stock Companies of the Russian Federation and on 29 December 2015 the name of the Parent Company was changed to public joint stock company due to changes in legislation of the Russian Federation.

The Group is vertically integrated steel company and the largest steel producer in Russia. The Group also operates in the mining segment (Note 21).

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

As at 31 December 2015 the Parent Company’s major shareholder with 85.54% ownership interest is Fletcher Group Holdings Limited which is beneficially owned by Mr. Vladimir Lisin.

The major companies of the Group are:

Activity	Country of incorporation	Share at 31 December 2015	Share at 31 December 2014	Share at 31 December 2013	
Companies under the Group’s control:					
Russian flat products					
LLC VIZ-Stahl	Production of steel	Russia	100.00%	100.00%	100.00%
OJSC Altai-Koks	Production of blast furnace coke	Russia	100.00%	100.00%	100.00%
Novex Trading (Swiss) S.A.	Trading	Switzerland	100.00%	100.00%	100.00%
Novexco (Cyprus) Ltd.	Trading	Cyprus	100.00%	100.00%	100.00%
Foreign rolled products					
NLMK DanSteel A/S	Production of steel	Denmark	100.00%	100.00%	100.00%
NLMK Indiana LLC	Production of steel	USA	100.00%	100.00%	100.00%
NLMK Pennsylvania LLC	Production of steel	USA	100.00%	100.00%	100.00%
Russian long products					
OJSC Nizhneserginski Hardware-Metallurgical Plant	Production of steel and long products	Russia	92.59%	92.59%	92.59%
LLC NLMK-Metalware	Production of metalware	Russia	100.00%	100.00%	100.00%
LLC NLMK-Kaluga	Production of long products	Russia	100.00%	100.00%	100.00%
LLC Vtorchermet NLMK	Processing of metal scrap	Russia	100.00%	100.00%	100.00%
Mining					
OJSC Stoilensky GOK	Mining and processing of iron-ore raw	Russia	100.00%	100.00%	100.00%

Among associates and other companies accounted for using the equity method the major is:

Activity	Country of incorporation	Share at 31 December 2015	Share at 31 December 2014	Share at 31 December 2013	
NLMK Belgium Holdings S.A. (Note 20)	Holding company	Belgium	51.00%	79.50%	79.50%

2 Basis of consolidated financial statements preparation

(a) Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except those, described in the principal accounting policies applied in the preparation of these consolidated financial statements, as set out in Note 25. These policies have been consistently applied to all the periods presented in these consolidated financial statements. Figures for three periods are presented for users' convenience.

(b) Functional and reporting currency

Functional currency of all Group's Russian entities is considered to be the Russian ruble. The functional currency of the majority of the foreign subsidiaries is their local currency. The Group uses US dollars as presentation currency for users' convenience.

The results of operations and financial position of each Group entity are translated into the presentation currency as follows:

- assets and liabilities in statement of financial position are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at average exchange rates for each quarter (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- components of equity are translated at the historical rate;
- all resulting exchange differences are recognized in other comprehensive income.

Items of consolidated statements of cash flow are translated at average exchange rates for each quarter (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case proceeds and disposals are translated at the dates of the transactions).

When control over a foreign operation is lost, the previously recognized exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
As at 1 January			30.3727
For the 1 st quarter	62.1919	34.9591	30.4142
For the 2 nd quarter	52.6543	34.9999	31.6130
For the 3 rd quarter	62.9784	36.1909	32.7977
For the 4 th quarter	65.9434	47.4243	32.5334
As at 31 December	<u>72.8827</u>	<u>56.2584</u>	<u>32.7292</u>

3 Cash and cash equivalents

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Cash			
Russian rubles	20.4	20.3	70.8
US dollars	99.0	150.8	194.1
Euros	41.2	54.3	158.6
Other currencies	1.7	8.0	2.0
Deposits			
Russian rubles	29.6	96.3	204.9
US dollars	140.3	158.0	331.8
Euros	-	53.6	5.7
Other currencies	10.7	7.8	1.9
Other cash equivalents	0.1	0.1	0.2
	343.0	549.2	970.0

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

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
NLMK Belgium Holdings S.A. (Note 20)	108.8	97.3	412.8
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	8.9	8.9	6.3
	117.7	106.2	419.1

The table below summarizes the movements in the carrying amount of the Group's investments in associates and other companies accounted for using the equity method of accounting.

	2015	2014	2013
As at 1 January	106.2	419.1	8.1
Share of net loss of associates and other companies accounted for using the equity method of accounting	(103.0)	(193.1)	(54.0)
Conversion of debt to equity	109.5	270.4	-
Contributions to the share capital by the Group	22.0	-	-
Impairment of investments	-	(325.2)	-
Disposal of 28.5% shares in NBH	(35.6)	-	-
Unrealized profit in inventory of associates and other companies accounted for using the equity method of accounting	30.3	(28.0)	(2.3)
Translation adjustment	(12.8)	(29.7)	(0.2)
Reclassification due to loss of control (Note 20)	-	-	467.5
Other adjustments	1.1	(7.3)	-
As at 31 December	117.7	106.2	419.1

4 Investments in associates and other companies accounted for using the equity method of accounting (continued)

The Group's interests in its principal associates and other companies accounted for using the equity method of accounting and their summarized financial information were as follows:

Company	Year	Share	Assets	Liabilities	Revenue	Profit / (loss) for the year
NLMK Belgium Holdings S.A. (Note 20) (Belgium)	2015	51.0%	1,485.4	(1,281.7)	1,277.6	(191.3)
<i>including from / (to) the Group</i>			18.4	(505.9)	55.5	-
	2014	79.5%	1,857.2	(1,542.9)	1,517.3	(243.4)
<i>including from / (to) the Group</i>			24.7	(510.5)	54.9	-
	2013	79.5%	2,094.2	(1,782.4)	405.6	(70.9)
<i>including from / (to) the Group</i>			6.1	(479.8)	5.9	-
TBEA & NLMK (Shenyang) Metal Product Co., Ltd. (China)	2015	50.0%	18.0	(0.2)	9.9	0.7
	2014	50.0%	18.4	(0.6)	12.3	0.9
	2013	50.0%	17.4	(0.1)	4.4	0.5

Reconciliation of net assets of NBH, calculated in accordance with its consolidated financial statements, to carrying amount of investment is below.

	2015	2014
Net assets as at 1 January	28.2	27.3
Net loss for the period (Note 20)	(178.4)	(276.1)
Proportional contributions into share capital	43.2	-
Conversion of debt to equity	109.5	270.4
Other adjustments	1.9	(8.4)
Translation adjustment	(0.2)	15.0
Net assets as at 31 December	4.2	28.2
Share in net assets	2.1	22.4
Share in PP&E valuation difference	205.7	349.2
Share of other investor in conversion of debt to equity (Note 20)	109.1	55.4
Impairment of investments	(239.8)	(325.2)
Unrealised profit	30.3	(28.0)
Cumulative translation adjustment and other adjustments	1.4	23.5
Investments in NBH	108.8	97.3

Net assets of NBH as of the date of disposal, calculated in accordance with its consolidated financial statements, amounted to \$88.8. Major adjustments in reconciliation of net assets of NBH to carrying amount of investment were: net loss (Note 20) and share in PP&E valuation difference.

5 Financial investments

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Short-term financial investments			
Loans to related parties (Note 23)	65.4	68.4	107.6
Bank deposits (Note 22(c)), including:	1,171.7	549.4	376.9
- Russian rubles	14.8	14.8	26.9
- US dollars	1,090.7	425.8	350.0
- Euros	66.2	96.5	-
- other currencies	-	12.3	-
Other short-term financial investments	5.5	3.5	0.5
	<u>1,242.6</u>	<u>621.3</u>	<u>485.0</u>
Long-term financial investments			
Loans to related parties (Note 23)	219.7	141.2	78.0
Bank deposits and other long-term financial investments	0.1	0.1	4.5
	<u>219.8</u>	<u>141.3</u>	<u>82.5</u>
	<u>1,462.4</u>	<u>762.6</u>	<u>567.5</u>

6 Trade and other accounts receivable

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Financial assets			
Trade accounts receivable	613.6	802.0	901.7
Allowance for impairment of trade accounts receivable	(16.3)	(28.6)	(39.3)
Other accounts receivable	40.3	38.7	67.5
Allowance for impairment of other accounts receivable	(15.3)	(20.4)	(25.1)
	<u>622.3</u>	<u>791.7</u>	<u>904.8</u>
Non-financial assets			
Advances given to suppliers	54.0	69.7	81.7
Allowance for impairment of advances given to suppliers	(4.2)	(9.6)	(19.3)
VAT and other taxes receivable	247.3	269.0	488.5
Accounts receivable from employees	1.5	1.7	3.3
	<u>298.6</u>	<u>330.8</u>	<u>554.2</u>
	<u>920.9</u>	<u>1,122.5</u>	<u>1,459.0</u>

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

As at 31 December 2015, 2014 and 2013 accounts receivable of \$74.0, \$137.6 and \$141.7, respectively, served as collateral for certain borrowings (Note 11).

6 Trade and other accounts receivable (continued)

Movements in the Group's provision for impairment of trade and other accounts receivables are as follows:

	2015	2014	2013
As at 1 January	(58.6)	(83.7)	(95.1)
Provision for impairment during the year	(22.8)	(35.9)	(45.1)
Receivables written off during the year as uncollectible	21.1	0.3	2.4
Unused amounts reversed	13.7	21.1	38.6
Change in scope of consolidation	0.1	4.3	9.1
Translation adjustment	10.7	35.3	6.4
As at 31 December	(35.8)	(58.6)	(83.7)

The allocation of trade accounts receivable, net of provision for doubtful debt, by geographical area is follows:

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Russia	130.5	133.6	167.9
European Union	288.6	399.3	422.6
North America	58.7	146.9	142.5
Asia and Oceania	48.8	37.0	95.3
Middle East, including Turkey	42.2	21.0	10.6
Other regions	28.5	35.6	23.5
	597.3	773.4	862.4

7 Inventories

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Raw materials	522.0	623.1	980.7
Work in process	400.3	569.7	526.6
Finished goods and goods for resale	340.7	419.5	684.2
	1,263.0	1,612.3	2,191.5
Valuation to net realizable value	(57.7)	(49.5)	(67.7)
	1,205.3	1,562.8	2,123.8

As at 31 December 2015, 2014 and 2013 inventories of \$303.5, \$562.0 and \$310.5, respectively, served as collateral for certain borrowings (Note 11).

Share of raw materials and acquired semi-finished goods in cost of sales for the years ended 31 December 2015, 2014 and 2013 amounted to 63.5%, 61.3% and 61.7%, respectively. Share of fuel and energy resources expenses in cost of sales for the years ended 31 December 2015, 2014 and 2013 amounted to 10.9%, 13.0% and 13.4%, respectively.

8 Property, plant and equipment

	Land	Buildings	Land and buildings improvements	Machinery and equipment	Vehicles	Construction in progress	Other	Total
Cost at 1 January 2013	270.9	2,544.7	2,218.9	10,737.9	437.8	2,827.3	153.3	19,190.8
Accumulated depreciation	-	(806.4)	(992.7)	(5,485.6)	(223.9)	-	(78.9)	(7,587.5)
Net book value at 1 January 2013	270.9	1,738.3	1,226.2	5,252.3	213.9	2,827.3	74.4	11,603.3
Additions	-	-	-	10.4	7.1	836.2	-	853.7
Disposals	(0.1)	(2.2)	(2.9)	(11.9)	(4.1)	(15.3)	(0.6)	(37.1)
Deconsolidation of subsidiaries (Note 20)	(42.2)	(174.0)	(12.5)	(698.1)	-	(30.4)	(24.0)	(981.2)
Available for use	3.9	580.0	239.1	691.2	22.3	(1,554.7)	18.2	-
Depreciation charge	-	(75.6)	(74.7)	(655.5)	(37.2)	-	(20.5)	(863.5)
Translation adjustment	(16.7)	(117.3)	(91.7)	(279.6)	(15.0)	(161.0)	(1.8)	(683.1)
Cost at 31 December 2013	215.8	2,748.0	2,267.0	9,804.7	413.8	1,902.1	103.2	17,454.6
Accumulated depreciation	-	(798.8)	(983.5)	(5,495.9)	(226.8)	-	(57.5)	(7,562.5)
Net book value at 31 December 2013	215.8	1,949.2	1,283.5	4,308.8	187.0	1,902.1	45.7	9,892.1
Additions	-	-	-	0.5	-	605.5	-	606.0
Disposals	(6.0)	(3.0)	(3.2)	(10.8)	(2.6)	(1.5)	(0.8)	(27.9)
Impairment	-	(122.6)	(41.6)	(139.3)	-	(4.3)	-	(307.8)
Available for use	9.2	90.0	154.7	645.5	13.9	(921.8)	8.5	-
Depreciation charge	-	(78.6)	(82.8)	(542.5)	(33.3)	-	(13.6)	(750.8)
Translation adjustment	(88.1)	(773.2)	(554.3)	(1,638.8)	(66.5)	(674.4)	(2.7)	(3,798.0)
Cost at 31 December 2014	130.9	1,583.7	1,378.7	6,231.3	235.5	905.6	78.6	10,544.3
Accumulated depreciation	-	(521.9)	(622.4)	(3,607.9)	(137.0)	-	(41.5)	(4,930.7)
Net book value at 31 December 2014	130.9	1,061.8	756.3	2,623.4	98.5	905.6	37.1	5,613.6

**8 Property, plant and equipment (continued)**

	Land	Buildings	Land and buildings improvements	Machinery and equipment	Vehicles	Construction in progress	Other	Total
Additions	-	-	-	-	-	639.8	-	639.8
Disposals	(1.3)	(0.6)	(4.0)	(11.8)	(1.9)	(33.4)	(0.2)	(53.2)
Impairment	-	(13.7)	(7.1)	(26.8)	(11.0)	-	-	(58.6)
Available for use	0.6	30.4	36.2	220.3	10.3	(309.0)	11.2	-
Depreciation charge	-	(40.0)	(45.3)	(393.6)	(18.1)	-	(7.5)	(504.5)
Translation adjustment	(29.2)	(218.3)	(166.4)	(494.9)	(20.5)	(252.7)	(2.8)	(1,184.8)
Cost at 31 December 2014	101.0	1,263.3	1,088.5	5,027.4	174.5	950.3	77.4	8,682.4
Accumulated depreciation	-	(443.7)	(518.8)	(3,110.8)	(117.2)	-	(39.6)	(4,230.1)
Net book value at 31 December 2015	101.0	819.6	569.7	1,916.6	57.3	950.3	37.8	4,452.3

8 Property, plant and equipment (continued)

As at 31 December 2015, 2014 and 2013 the Group did not have pledged property, plant and equipment.

The amount of borrowing costs capitalized is \$50.7, \$59.0 and \$164.0 for the years ended 31 December 2015, 2014 and 2013, respectively.

At 31 December 2015, 2014 and 2013 the Group's management considered that the low level of economic activity combined with a deterioration in the steel market represented a trigger for impairment testing and has performed the tests for impairment of assets using the income approach based on primarily Level 3 inputs.

For the purpose of impairment testing for the years ended 31 December 2015, 2014 and 2013, the Group's management has estimated cash flows for 7 years due to long useful-lives of steel making equipment and normalized cash flows for a post-forecast period. Prices for steel products in this estimate were determined on the basis of forecasts of investment banks' analysts.

The table below summarizes companies and types of assets, also subject to impairment test as of 31 December 2015, major assumptions and their sensitivity used in the impairment models. Prices for steel products in this estimate were determined on the basis of forecasts of investment banks' analysts. Sensitivity in the table below was determined as a percent of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their balance values. As of 31 December 2015 an impairment testing showed that recoverable amount of property, plant and equipment (value in use) of scrap collecting assets in Russian long products segment and OJSC Nizhneserginski Hardware-Metallurgical Plant was below its carrying amount by \$23.9 and \$34.7, respectively. An impairment testing also showed impairment of goodwill in NLMK Indiana LLC by \$14.4.

Company	Asset type	Forecast period, years	Discount rate, %	Product types	Average sale price*, \$ per tonne (FCA)	Sensitivity, % of change	
						Price	Sales volume
OJSC Stoilensky GOK	Property, plant and equipment and intangible assets	7	12-16%	Iron ore	44	-43%	-56%
OJSC Stoilensky GOK	Goodwill	7	12-16%	Iron ore	44	-36%	-47%
NLMK Pennsylvania LLC	Property, plant and equipment	7	8%	Flat products	646	-3%	-22%
NLMK Indiana LLC	Property, plant and equipment	7	8%	Flat products	540	-0.4%	-3%
NLMK Indiana LLC	Goodwill	7	8%	Flat products	540	+0.3%	+2%
OJSC Altai-Koks	Property, plant and equipment	7	12-16%	Coke, chemical products	172	-15%	-40%
OJSC Altai-Koks	Goodwill	7	12-16%	Coke, chemical products	172	-13%	-35%
Scrap collecting assets in Russian long products segment	Property, plant and equipment	7	12-16%	Metal scrap	171	+3%	-
OJSC NSMMZ	Property, plant and equipment	7	12-16%	Long products and semi-finished goods	344	+1%	+2%
LLC NLMK-Kaluga	Property, plant and equipment	7	12-16%	Long-products and semi-finished goods	353	-0.2%	-1%
LLC NLMK-Metalware	Property, plant and equipment	7	12-16%	Metalware	464	-7%	-31%
NLMK DanSteel A/S	Property, plant and equipment	7	8%	Plate	630	-1%	-5%

* Weighted average prices giving the product mix, averaged for the period from 2016 to 2022

8 Property, plant and equipment (continued)

The table below summarizes companies and types of assets, also subject to impairment test as of 31 December 2014, major assumptions and their sensitivity used in the impairment models. Prices for steel products in this estimate were determined on the basis of forecasts of investment banks' analysts. Sensitivity in the table below was determined as a percent of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their balance values. As of 31 December 2014 an impairment testing showed that recoverable amount of property, plant and equipment (value in use) of OJSC Nizhneserginski Hardware-Metallurgical Plant, LLC NLMK-Kaluga and NLMK DanSteel A/S was below its carrying amount by \$113.7, \$127.0 and \$67.1, respectively.

Company	Asset type	Forecast period, years	Discount rate, %	Product types	Average sale price*, \$ per tonne (FCA)	Sensitivity, % of change	
						Price	Sales volume
NLMK	Property, plant and equipment and intangible assets	7	12-16%	Flat products	405	-17%	-17%
OJSC Stoilensky GOK	Property, plant and equipment and intangible assets	7	12-16%	Iron ore	34	-25%	-27%
OJSC Stoilensky GOK	Goodwill	7	12-16%	Iron ore	34	-7%	-8%
NLMK Pennsylvania LLC	Property, plant and equipment	7	9%	Flat products	799	-5%	-62%
NLMK Indiana LLC	Property, plant and equipment	7	9%	Flat products	705	-4%	-35%
OJSC Altai-Koks	Goodwill	7	12-16%	Coke, chemical products	116	-3%	-14%
Scrap collecting assets in Russian long products segment	Property, plant and equipment	7	12-16%	Metal scrap	199	-2%	-43%
OJSC NSMMZ	Property, plant and equipment	7	12-16%	Long products and semi-finished goods	403	+2%	+7%
LLC NLMK-Kaluga	Property, plant and equipment	7	12-16%	Long-products and semi-finished goods	437	+3%	-
NLMK DanSteel A/S	Property, plant and equipment	6	9%	Plate	738	+2%	-

* Weighted average prices giving the product mix, averaged for the period from 2015 to 2021

8 Property, plant and equipment (continued)

The table below summarizes companies and types of assets, subject to impairment test as of 31 December 2013, major assumptions and their sensitivity used in the impairment models. Prices for steel products in this estimate were determined on the basis of forecasts of investment banks' analysts. Sensitivity in the table below was determined as a percent of changes of corresponding factors in forecast and post-forecast periods when recoverable values of assets (value in use) become equal to their balance values.

Company	Asset type	Forecast period, years	Discount rate, %	Product types	Average sale price*, \$ per tonne (FCA)	Sensitivity, % of change	
						Price	Sales volume
LLC NLMK-Kaluga	Property, plant and equipment	7	11%	Long products and semi-finished goods	592	-1%	-5%
OJSC Nizhneserginski Hardware-Metallurgical Plant	Property, plant and equipment	7	11%	Long products	568	-3%	-10%
LLC NLMK-Metalware	Property, plant and equipment	7	11%	Metalware	697	-4%	-19%
Scrap collecting assets in Russian long products segment	Property, plant and equipment	7	11%	Scrap	268	-1%	-5%
NLMK	Property, plant and equipment	7	11%	Flat products and semi-finished goods	631	-6%	-24%
NLMK DanSteel A/S	Property, plant and equipment	7	8%	Plate	895	-4%	-24%

* Weighted average prices giving the product mix, averaged for the period from 2014 to 2020

9 Intangible assets

	Goodwill	Mineral rights	Customer base	Industrial intellectual property	Beneficial lease interest	Total
Cost at 1 January 2013	786.1	557.7	196.8	59.5	8.7	1,608.8
Accumulated amortisation	-	(281.7)	(93.5)	(29.1)	(0.4)	(404.7)
Net book value at 1 January 2013	786.1	276.0	103.3	30.4	8.3	1,204.1
Additions	-	15.6	-	-	-	15.6
Disposals (Note 20)	(289.7)	-	-	(3.0)	-	(292.7)
Amortisation charge	-	(12.6)	(15.8)	(4.3)	(0.1)	(32.8)
Translation adjustment	(33.0)	(20.5)	(0.7)	(2.1)	-	(56.3)
Cost at 31 December 2013	463.4	532.1	189.1	52.2	8.7	1,245.5
Accumulated amortisation	-	(273.6)	(102.3)	(31.2)	(0.5)	(407.6)
Net book value at 31 December 2013	463.4	258.5	86.8	21.0	8.2	837.9
Amortisation charge	-	(11.4)	(44.4)	(9.4)	(0.1)	(65.3)
Translation adjustment	(178.0)	(104.4)	(5.1)	(5.8)	-	(293.3)
Cost at 31 December 2014	285.4	309.6	147.6	30.4	8.7	781.7
Accumulated amortisation	-	(166.9)	(110.3)	(24.6)	(0.6)	(302.4)
Net book value at 31 December 2014	285.4	142.7	37.3	5.8	8.1	479.3
Amortisation charge	-	(7.1)	(36.9)	(5.6)	(0.1)	(49.7)
Impairment	(14.4)	-	-	-	-	(14.4)
Translation adjustment	(56.4)	(31.3)	(0.4)	(0.2)	-	(88.3)
Cost at 31 December 2015	214.6	239.0	-	-	8.7	462.3
Accumulated amortisation	-	(134.7)	-	-	(0.7)	(135.4)
Net book value at 31 December 2015	214.6	104.3	-	-	8.0	326.9

The intangible assets were acquired in business combinations and met the criteria for separate recognition. They were recorded at fair values at the date of acquisition, based on their appraised values.

Useful lives of the Group's intangible assets as at 31 December 2015 are shown below.

	Company	Total useful life, months	Remaining useful life, months
Mineral rights	LLC Zhernovsky GOK	240	116
Mineral rights	LLC Zhernovsky GOK	240	192
Mineral rights	LLC Usinsky GOK	240	181
Mineral rights	OJSC Stoilensky GOK	306	240
Customer base	LLC VIZ-Stahl	125	-
Customer base	Novexco (Cyprus) Ltd., Novex Trading (Swiss) S.A.	180	-
Industrial intellectual property	LLC VIZ-Stahl	149	-
Beneficial lease interest	NLMK Indiana LLC	974	888

9 Intangible assets (continued)

During 2015 the Group revised useful lives of customer base and industrial intellectual property and completed their amortization in the third quarter of 2015.

In May 2011, the Group acquired a license for exploration and extraction of coal in the Zhernovsky Glubokiy coal field of the Zhernovsky coal deposit expiring in 2031. The carrying value of this license as at 31 December 2015 is \$4.6. In August 2005, the Group acquired a license for exploration and mining of Zhernovsky coal deposit expiring in 2025. The carrying value of this license as at 31 December 2015 is \$7.3.

In March 2011, the Group acquired a license for exploration and extraction of coal in the mine field area No. 3 of the Usinsky coal deposit expiring in 2031. The carrying value of this license as at 31 December 2015 is \$16.8.

A license for iron ore and non-metallics mining at Stoilensky iron-ore deposit in Belgorod Region expiring in 2035 was acquired by the Group in 2004 through a business combination. The carrying value of these mineral rights as at 31 December 2015 is \$75.7.

The Group's management believes that these licenses will be extended.

Goodwill arising on acquisitions was allocated to the appropriate business segment in which each acquisition took place. Goodwill arising from the acquisition in 2011 of a controlling interest in SIF S.A. (Note 20) amounted to \$289.7. At the time of acquisition this goodwill was assigned to the steel segment and foreign rolled products segment in the amount of \$128.4 and \$161.3, respectively, and was disposed as a result of NBH deconsolidation (Note 20).

Goodwill allocation to each segment is as follows:

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Russian flat products	139.2	179.7	307.5
Foreign rolled products	21.3	35.7	35.7
Russian long products	2.5	3.3	5.7
Mining	51.6	66.7	114.5
	214.6	285.4	463.4

Goodwill impairment testing

The Group tested goodwill for impairment as at 31 December 2015, 2014 and 2013. The recoverable amount has been determined as values in use of respective assets. For the purpose of this impairment testing the Group used the same estimates as for testing of other assets, as disclosed in Note 8. An impairment testing showed impairment of goodwill in NLMK Indiana LLC by \$14.4.

10 Trade and other accounts payable

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Financial liabilities			
Trade accounts payable	342.3	440.9	621.9
Dividends payable	161.2	0.7	1.4
Other accounts payable	16.0	23.1	89.0
	519.5	464.7	712.3
Non-financial liabilities			
Advances received	62.9	105.4	111.4
Taxes payable other than income tax	39.2	77.3	134.0
Accounts payable and accrued liabilities to employees	104.8	128.5	204.1
	206.9	311.2	449.5
	726.4	775.9	1,161.8

11 Borrowings

Rates	Currency	Maturity	As at	As at	As at
			31 December 2015	31 December 2014	31 December 2013
Bonds					
8% to 11.5%	RUR	2015-2017	350.4	543.9	1,400.7
4.45% to 4.95%	USD	2018-2019	1,195.9	1,196.1	1,319.6
Loans					
5% and 10%	RUR	2015-2017	-	23.1	38.4
LIBOR +1.375% to LIBOR +3% and PRIME +0.375%	USD	2015-2019	583.4	374.9	541.0
EURIBOR +0.9% to EURIBOR +2%	EUR	2015-2022	546.4	620.9	853.4
Short-term and long-term finance lease liability and other borrowings			-	9.6	37.4
			2,676.1	2,768.5	4,190.5
Less: short-term loans and current maturities of long-term loans			(559.8)	(804.3)	(1,136.7)
Long-term borrowings			2,116.3	1,964.2	3,053.8

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

	As at		As at		As at	
	31 December 2015		31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	1,315.5	1,300.8	1,444.9	1,278.6	2,216.6	2,215.8

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

The payments scheduled for long-term borrowings are as follows:

	As at	As at	As at
	31 December 2015	31 December 2014	31 December 2013
1-2 year	359.6	580.0	1,169.2
2-5 years	1,719.3	1,347.4	1,300.6
over 5 years	37.4	36.8	584.0
	2,116.3	1,964.2	3,053.8

Collateral

As at 31 December 2015, 2014 and 2013, the total amount of collateral was \$377.5, \$699.6 and \$452.2, respectively (Notes 6, 7).

12 Shareholders' equity

(a) Shares

As at 31 December 2015, 2014 and 2013, the Parent Company's share capital consisted of 5,993,227,240 issued common shares, with a par value of 1 Russian ruble each. For each common share held, the stockholder has the right to one vote at the stockholders' meetings.

(b) Dividends

Dividends are paid on common shares at the recommendation of the Board of Directors and approval at a General Stockholders' Meeting, subject to certain limitations as determined by Russian legislation. Profits available for distribution to shareholders in respect of any reporting period are determined by reference to the statutory financial statements of the Parent Company. As at 31 December 2015, 2014 and 2013, the retained earnings of the Parent Company, available for distribution in accordance with the legislative requirements of the Russian Federation, amounted to \$4,360.9, \$5,409.3 and \$8,971.7, converted into US dollars using exchange rates at 31 December 2015, 2014 and 2013, respectively.

According to the dividend policy, the Group pays dividends on a quarterly basis as follows:

- if Net Debt/EBITDA is 1.0x or less: dividends are in range with the boundaries of 50% of net income and 50% of free cash flow calculated based on IFRS consolidated financial statements;
- if Net Debt/EBITDA exceeds 1.0x: dividends are in range with the boundaries of 30% of net profit and 30% of free cash flow calculated based on IFRS consolidated financial statements.

In December 2015, the Parent Company declared dividends for the third quarter of 2015 of 1.95 Russian ruble per share for the total of \$163.9 (at the historical rate as of the announcement date). Dividends payable amounted to \$161.2 at 31 December 2015 (Note 10).

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

In June 2015, the Parent Company declared dividends for the year ended 31 December 2014 of 2.44 Russian rubles per share for the total of \$303.9 (including interim dividends for the six months ended 30 June 2014 of 0.88 Russian ruble per share for the total of \$133.9) translated at the historical rate as of the announcement date and for the three months ended 31 March 2015 of 1.64 Russian rubles per share for the total of \$178.7 (at the historical rate as of the announcement date).

In September 2014 the Parent Company declared interim dividends for the six months ended 30 June 2014 of 0.88 Russian rubles per share for the total of \$133.9 (at the historical rate).

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

In June 2013, the Parent Company declared dividends for the year ended 31 December 2012 of 0.62 Russian rubles per share for the total of \$115.6 (at the historical rate).

12 Shareholders' equity (continued)

(c) Capital management

The Group's objectives when managing capital are to safeguard a financial stability and a target return for shareholders, as well as reduction of capital cost and optimization of its structure. To achieve these objectives the Group may revise investing program, borrow new or repay existing loans, offer share of debt instruments on capital markets.

When managing capital the Group uses the following indicators:

- the return on invested capital ratio, which is defined as operating profit for the last twelve months less tax divided by capital employed, should exceed cost of capital;
- free cash-flow, which is defined as net cash provided by operating activities less net interest paid less capital expenditures less advances given in investing activities, should be positive.

There were no changes in the Group's approach to capital management during the reporting period.

13 Earnings per share

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Profit for the year attributable to NLMK shareholders (millions of US dollars)	967.4	772.5	145.4
Weighted average number of shares	<u>5,993,227,240</u>	<u>5,993,227,240</u>	<u>5,993,227,240</u>
Basic and diluted earnings per share attributable to NLMK shareholders (US dollars)	<u>0.1614</u>	<u>0.1289</u>	<u>0.0243</u>

Basic net earnings per share is calculated by dividing profit for the year attributable to NLMK shareholders by the weighted average number of common shares outstanding during the reporting period.

The average shares outstanding for the purposes of basic and diluted earnings per share information was 5,993,227,240 for the years ended 31 December 2015, 2014 and 2013. The Parent Company does not have potentially dilutive financial instruments outstanding.

14 Revenue

(a) Revenue by product

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Pig iron, slabs and billets	2,207.2	2,486.4	2,202.2
Flat products	4,366.4	5,651.1	6,367.5
Long products and metalware	808.9	1,301.3	1,240.6
Iron-ore and sintering ore	165.8	311.4	327.0
Coke and other chemical products	228.9	259.8	254.4
Scrap	46.9	74.7	66.5
Other products	<u>184.2</u>	<u>311.0</u>	<u>360.2</u>
	<u>8,008.3</u>	<u>10,395.7</u>	<u>10,818.4</u>

14 Revenue (continued)

(b) Revenue by geographical area

The allocation of total revenue by geographical area is based on the location of end customers who purchased the Group's products. The Group's total revenue from external customers by geographical area for the years ended 31 December 2015, 2014 and 2013 is as follows:

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Russia	3,146.0	4,434.3	4,373.4
North America	1,356.8	2,084.9	1,558.9
European Union	1,603.0	1,819.6	1,982.8
Middle East, including Turkey	684.1	636.5	875.4
Asia and Oceania	374.4	319.3	794.2
Other regions	844.0	1,101.1	1,233.7
	<u>8,008.3</u>	<u>10,395.7</u>	<u>10,818.4</u>

The Group does not have customers with a share of more than 10% from revenue.

15 Labour costs

Group's labour costs, including social security costs, which are included in the corresponding lines of the consolidated statement of profit or loss were as indicated below.

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Cost of sales	(608.2)	(858.6)	(1,038.4)
General and administrative expenses	(153.8)	(231.4)	(295.8)
Selling expenses	(31.3)	(40.4)	(40.8)
	<u>(793.3)</u>	<u>(1,130.4)</u>	<u>(1,375.0)</u>

Management remuneration consists of payments to the members of Management Board and Board of Directors of the Parent Company. Compensation comprises annual remuneration and a performance bonus contingent on results. Total management remuneration, including social security costs, amounted to \$11.3, \$13.6 and \$9.3 in 2015, 2014 and 2013, respectively.

16 Taxes, other than income tax

Allocation of taxes, other than income tax to the functional items of consolidated statement of profit or loss is indicated below.

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Cost of sales	(65.7)	(122.4)	(122.5)
General and administrative expenses	(4.4)	(7.5)	(6.6)
Selling expenses	(0.4)	(0.6)	(0.7)
Other operating expenses	(5.2)	(7.0)	(4.8)
	<u>(75.7)</u>	<u>(137.5)</u>	<u>(134.6)</u>

17 Income tax

Income tax charge comprises the following:

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Current income tax expense	(301.1)	(378.3)	(141.1)
Deferred income tax benefit / (expense)	(51.8)	15.9	(87.7)
Adjustment of current income tax for the previous periods, recognized in the reporting period	-	-	(26.2)
Total income tax expense	<u>(352.9)</u>	<u>(362.4)</u>	<u>(255.0)</u>

The corporate income tax rate applicable to the Group entities, located in Russia, is predominantly 20%. The corporate income tax rate applicable to income of foreign subsidiaries ranges from 30% to 35%.

Income before income tax is reconciled to the income tax expense as follows:

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Profit before income tax	1,321.1	1,136.0	419.2
Income tax at applicable tax rate 20%	(264.2)	(227.2)	(83.8)
Change in income tax:			
- tax effect of non-deductible expenses	(63.3)	(20.5)	(59.5)
- non-taxable translation adjustments	17.0	39.4	7.2
- effect of different tax rates	31.7	118.3	25.6
- unrecognized tax loss carry forward for current year	(82.4)	(99.6)	(82.3)
- utilization of previously unrecognized tax-losses carry- forward	-	22.6	-
- change in option and in NBH ownership (Note 20)	18.6	(16.3)	-
- write-off of previously recognized deferred tax assets	(9.8)	(53.0)	(62.7)
- loss on impairment of investment (Note 20)	-	(100.5)	-
- adjustment of current income tax for the previous periods, recognized in the reporting period	-	-	(26.2)
- other	(0.5)	(25.6)	26.7
Total income tax expense	<u>(352.9)</u>	<u>(362.4)</u>	<u>(255.0)</u>

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented below:

	<u>As at 31 December 2015</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2013</u>
Deferred tax assets			
Trade and other accounts payable	74.2	100.8	170.3
Other non-current liabilities	-	-	0.1
Trade and other accounts receivable	3.2	15.8	27.5
Inventories	-	24.5	-
Net operating loss and credit carry-forwards	-	14.6	73.3
Other	15.7	13.9	6.4

17 Income tax (continued)

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
	93.1	169.6	277.6
Deferred tax liabilities			
Property, plant and equipment	(341.8)	(429.9)	(728.2)
Other intangible assets	(7.9)	(8.5)	(21.8)
Inventories	(12.9)	-	(32.2)
Other non-current liabilities	(1.6)	(13.7)	-
	(364.2)	(452.1)	(782.2)
Total deferred tax liability, net	(271.1)	(282.5)	(504.6)

The movements in deferred income tax assets and liabilities are presented below:

	2015	2014	2013
As at 1 January	(282.5)	(504.6)	(501.1)
Recognized in consolidated statement of profit or loss	(51.8)	15.9	(87.7)
Deconsolidation of subsidiaries (Note 20)	-	-	50.1
Translation adjustment	63.2	206.2	34.1
As at 31 December	(271.1)	(282.5)	(504.6)

The amount of net operating losses that can be utilized each year is limited under the Group's different tax jurisdictions. The Group regularly evaluates assumptions underlying its assessment of the realizability of its deferred tax assets and makes adjustments to the extent necessary. In assessing whether it is probable that future taxable profit against which the Group can utilize the potential benefit of the tax loss carry-forwards will be available, management considers the current situation and the future economic benefits outlined in specific business plans for each subsidiary.

The table below summarizes not recognized cumulative tax-loss carry forwards, for which no deferred tax assets were recognised, with a breakdown by the expiry dates.

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
From 1 to 5 years	294.3	310.9	165.4
From 5 to 10 years	376.3	600.4	1,060.9
More than 10 years	850.9	680.9	714.6
No expiration	976.5	1,084.8	1,180.9
	2,498.0	2,677.0	3,121.8

Deferred tax assets are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilized. In the second quarter of 2013 valuation models, previously supported deferred tax assets recoverability in Group's major European entities, were revised based on the results of analysis of economic condition in Europe. The revised models did not support recoverability of a part of these assets of \$62.7, which resulted in write-off of previously recognized deferred tax assets in the second quarter of 2013. As at 31 December 2013 figures of these European entities were eliminated from consolidated statement of financial position of the Group (Note 20).

The Group has not recorded a deferred tax liability in respect of temporary differences of \$908.2, \$1,274.5 and \$1,628.9 for the years ended 31 December 2015, 2014 and 2013, respectively, associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

17 Income tax (continued)

In accordance with Russian legislation, the Group's key Russian entities, including NLMK, were integrated in one consolidated tax group for the purpose of assessment and payment of corporate income tax in line with the comprehensive financial result of business operations. The Group's entities that do not constitute the consolidated tax group assess their income taxes individually.

As at 31 December 2015, 2014 and 2013 the Group analysed its tax positions for uncertainties affecting recognition and measurement thereof. Following the analysis, the Group believes that it is likely that all deductible tax positions stated in the income tax return recognised and valued in accordance with the tax legislation.

18 Finance income and costs

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Interest income on bank accounts and bank deposits	44.5	29.5	36.2
Other finance income	<u>7.4</u>	<u>7.0</u>	<u>4.4</u>
Total finance income	<u>51.9</u>	<u>36.5</u>	<u>40.6</u>
Interest expense on borrowings	(118.9)	(178.9)	(221.5)
Capitalized interest	32.2	61.6	121.9
Other finance costs	<u>(8.6)</u>	<u>(19.5)</u>	<u>(22.3)</u>
Total finance costs	<u>(95.3)</u>	<u>(136.8)</u>	<u>(121.9)</u>

19 Foreign currency exchange

	<u>For the year ended 31 December 2015</u>	<u>For the year ended 31 December 2014</u>	<u>For the year ended 31 December 2013</u>
Foreign exchange gain on cash and cash equivalents	44.6	251.9	55.1
Foreign exchange gain on financial investments	542.1	1,249.9	180.1
Foreign exchange gain / (loss) on financial instruments	1.8	(33.1)	(1.2)
Foreign exchange loss on debt financing	(415.1)	(898.5)	(170.0)
Foreign exchange (loss) / gain on other assets and liabilities	<u>(63.9)</u>	<u>(82.0)</u>	<u>21.2</u>
	<u>109.5</u>	<u>488.2</u>	<u>85.2</u>

20 Disposal of companies which are under the Group's control

In September 2013, the Group signed an agreement with Societe Wallonne de Gestion et de Participations S.A. (SOGEPA), a Belgian state-owned company, to sell a 20.5% stake in SIF S.A.'s subsidiary – NLMK Belgium Holdings S.A. (NBH), which comprises NLMK Europe's operating and trading companies, excluding NLMK DanSteel A/S, for EUR 91.1 million (\$122.9). The agreement provides SOGEPA with certain governance rights over NBH and its subsidiaries, and key management decisions will be taken jointly by the Group and SOGEPA by their representation on the Board of Directors of NBH.

20 Disposal of companies which are under the Group's control (continued)

The Group brought in SOGEPA as a strategic investor in the context of the continuing restructuring of its European assets aimed at further enhancing efficiency and optimizing costs.

The agreement resulted in the loss of control by the Group over NBH and therefore NBH was deconsolidated from the Group consolidated financial statements with effect from 30 September 2013.

The fair value of the Group's remaining 79.5% interest in NBH was determined based on management's best estimates of future cash flows, including assumptions regarding the increase in capacity utilization and the implementation of the operational business plan, including the restructuring plan. This stake in the amount of \$459.2 was accounted for as a company using the equity method which is treated as a related party. Calculation of the result of disposal also includes cash proceeds of \$122.9, release of cumulative translation adjustment of \$60.0, written off goodwill of \$289.7, written off option of \$30.0 and write off of net assets of NBH at date of disposal disclosed below. The Group has recorded a loss on disposal related to the transaction amounting to \$51.4, which is included in "Result of disposal of subsidiary" line.

The carrying amounts of assets and liabilities of NBH as at the date of disposal were as follows:

Current assets, including:	1,029.9
<i>Cash and cash equivalents</i>	76.7
<i>Other current assets</i>	953.2
Non-current assets	1,133.5
Total assets	2,163.4
Current liabilities	(926.9)
Non-current liabilities	(862.7)
Total liabilities	(1,789.6)
Equity	373.8

Current assets include trade and other accounts receivable of \$329.5, inventories of \$609.4. Non-current assets include property, plant and equipment of \$980.7 and deferred income tax assets of \$149.1. Current liabilities include trade and other accounts payable of \$624.7. Non-current liabilities include long-term borrowings of \$531.9 and deferred income tax liability of \$199.2.

Information on NBH's operations from 1 January 2013 to the date of disposal is as follows:

Revenue	1,047.1
Cost of sales	(973.3)
Income tax expense	(53.0)
Net loss for the period	(276.7)

Revenue and net loss of NBH for the fourth quarter of 2013 amounted to \$405.6 and \$(70.9), respectively. Revenue and loss of NBH before impairment losses for 2014 amounted to \$1,517.3 and \$(243.4), respectively. Revenue and net loss of NBH for 2015 amounted to \$1,277.6 and \$(191.3), respectively.

Continuous trend of low prices for steel products in Europe and underperformance of NBH holding companies resulted in a necessity of reassessment of impairment testing model for the investments in NBH in 2014, which showed no impairment in 2013. The revised model showed a necessity of further impairment of \$325.2 as at 31 December 2014. For the purpose of impairment testing the Group has estimated cash flows for 9 years for different groups of assets and respective cash flows in the post-forecast period. Prices for steel products were determined on the basis of forecasts of investment banks' analysts. A discount rate of 8% was used. The impairment testing model is sensitive to assumptions used. For example, increase in the discount rate by 1% will result in additional impairment of \$117.

20 Disposal of companies which are under the Group's control (continued)

Information about the Group's operations with NBH is disclosed in Note 23.

Summarized financial information for NBH before impairment losses is as follows:

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Current assets	734.1	921.9	993.0
Non-current assets	751.3	935.3	1,101.2
Total assets	1,485.4	1,857.2	2,094.2
Current liabilities	(657.5)	(1,054.3)	(819.4)
Non-current liabilities	(624.2)	(488.6)	(963.0)
Total liabilities	(1,281.7)	(1,542.9)	(1,782.4)
Equity	203.7	314.3	311.8

NBH cash and cash equivalents as at 31 December 2015, 2014 and 2013 amounted to \$59.8, \$46.1 and \$25.1, respectively.

The Group's share in NBH's net loss for the year ended 31 December 2015, 2014 and from the date of disposal to 31 December 2013 amounted to \$(103.4), \$(193.5) and \$(54.2), respectively, and is included in "Share in net losses of associates and other companies accounted for using the equity method" line in the consolidated statement of profit or loss.

Deferred tax assets and deferred tax liabilities of NBH as at the date of disposal refer to the temporary differences originated from the following:

Trade and other accounts receivable	0.2
Inventories	(8.0)
Property, plant and equipment	(148.7)
Other intangible assets	0.3
Trade and other accounts payable	5.5
Non-current liabilities	2.3
Net operating loss and credit carry-forwards	94.7
Other	3.6
Net deferred tax liability	(50.1)

Fair value of options

In September 2013 SOGEPA and the Group also signed an option agreement, which provides call options for the Group and put options for SOGEPA over its 20.5% stake (5.1% of the common shares of NBH in each of 2016, 2017 and 2018, and any remaining stake after 2023).

Under the option agreement the exercise price was based on the book value of NBH net assets, subject to a minimum value of 20.5% of the shares of EUR 91.1 million plus fixed interest. The Group has recognized a liability in respect of these options, based on their fair value in the amount of \$82.5 and \$30.0 as at 31 December 2014 and 2013, respectively, included in "Other long-term liabilities" line of the consolidated statement of financial position. The change in the value of the option resulted in loss amounted to \$(52.5) and included in "Gains on investments" line of the consolidated statement of profit or loss.

The options have been valued using standard, market-based valuation techniques. The Level 3 significant unobservable inputs used in the fair value measurement of the option agreement are the annualized volatility of the underlying shares and the fair value of the underlying shares.

20 Disposal of companies which are under the Group's control (continued)

Changes to NLMK Belgium Holdings' ownership structure and governance

In March 2015, the Group and SOGEPA signed an agreement to increase SOGEPA's share in NBH from 20.5% to 49%. Under the agreement the Group's and SOGEPA's existing respective put and call options over the SOGEPA shares in NBH were terminated.

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

Disposal of the option resulted in gain amounted to \$76.0 and included in "Gains on investments" line of the consolidated statement of profit or loss.

Earlier, in December 2014, the Group made a conversion of existing loans given into NBH share capital in the amount of EUR 220 million with a corresponding reflection in the consolidated financial statements for the year ended 31 December 2014. These investments are also a part of the agreement signed in March 2015. In December 2015, the Group made a conversion of existing loans given into NBH share capital in the amount of EUR 100 million with a corresponding reflection in the consolidated financial statements for the year ended 31 December 2015. These contributions did not change Group's share in NBH.

The Group and SOGEPA have agreed to support NBH in obtaining financing of its working capital. In March 2015 the shareholders made additional contributions into NBH share capital proportionally their shares (EUR 20.4 million and EUR 19.6 million, respectively).

21 Segment information

The Group has five reportable business segments: Russian flat products, Foreign rolled products, Russian long products, Mining and Investments in associate entity NBH (Note 20). These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above five segments meet the criteria for reportable segments. Subsidiaries are consolidated by the segment to which they belong based on their products and management.

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

The Group's management determines intersegmental sales and transfers, as if the sales or transfers were to third parties. The Group's management evaluates performance of the segments based on segment revenues, gross profit, operating profit before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets, and profit for the year.

Intersegmental operations and balances include elimination of intercompany dividends paid to Russian flat products segment by other segments and presented within line "Profit / (loss) for the year" together with other intercompany elimination adjustments, including elimination of NBH liabilities to the Group companies (Note 23). NBH deconsolidation adjustments include full elimination of sales of NBH with further recognition of the Group's sales to NBH and elimination of unrealised profits (Notes 4, 23), recognition of investment in associate (Note 4), recognition of impairment and share of loss arising for NBH and other consolidation adjustments.

21 Segment information (continued)

Information on segments' profit or loss for the year ended 31 December 2015 and their assets and liabilities on this date is as follows:

	Mining	Russian flat products	Russian long products	Foreign rolled products	Investments in associate entity NBH	All other	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	184.2	4,718.7	859.0	1,441.9	1,212.7	11.7	-	(419.9)	8,008.3
Intersegment revenue	405.0	1,345.9	293.3	-	64.9	0.1	(2,044.3)	(64.9)	-
Cost of sales	(225.9)	(4,000.1)	(1,026.1)	(1,512.5)	(1,121.5)	(5.0)	2,066.7	328.7	(5,495.7)
Gross profit / (loss)	363.3	2,064.5	126.2	(70.6)	156.2	6.8	22.4	(156.2)	2,512.6
Operating profit / (loss)*	256.8	1,195.9	(16.8)	(165.7)	(172.2)	5.2	112.9	172.2	1,388.3
Net finance income / (costs)	16.8	4.8	(26.1)	(39.9)	(19.5)	1.0	-	19.5	(43.4)
Income tax expense	(71.2)	(244.9)	2.1	(0.6)	6.5	(0.8)	(37.5)	(6.5)	(352.9)
Profit / (loss) for the year	279.1	1,290.3	(92.7)	(203.8)	(191.3)	(5.4)	(195.9)	87.9	968.2
Segment assets	1,476.6	7,509.6	953.4	1,036.6	1,485.4	11.6	(2,195.6)	(1,358.2)	8,919.4
Segment liabilities	(326.0)	(3,603.2)	(565.6)	(1,458.9)	(1,281.7)	(1.0)	2,679.0	775.7	(3,781.7)
Depreciation and amortization	(40.6)	(384.6)	(65.4)	(69.3)	(80.2)	(0.1)	-	80.2	(560.0)
Capital expenditures	(281.3)	(259.8)	(24.9)	(22.7)	-	(6.0)	-	-	(594.7)

* Operating profit / (loss) before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets

21 Segment information (continued)

Information on segments' profit or loss for the year ended 31 December 2014 and their assets and liabilities on this date is as follows:

	Mining	Russian flat products	Russian long products	Foreign rolled products	Investments in associate entity NBH	All other	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	345.9	5,684.1	1,446.9	2,015.0	1,462.4	0.1	-	(558.7)	10,395.7
Intersegment revenue	721.8	2,187.9	367.7	-	54.9	-	(3,277.4)	(54.9)	-
Cost of sales	(347.5)	(5,667.2)	(1,578.4)	(1,896.7)	(1,375.3)	(0.1)	3,004.6	471.6	(7,389.0)
Gross profit / (loss)	720.2	2,204.8	236.2	118.3	142.0	-	(272.8)	(142.0)	3,006.7
Operating profit / (loss)*	576.3	874.2	242.3	21.4	(215.9)	(2.2)	(124.1)	215.9	1,587.9
Net finance income / (costs)	27.9	(9.1)	(82.9)	(37.2)	(21.3)	1.0	-	21.3	(100.3)
Income tax expense	(193.6)	(221.9)	(19.0)	27.2	11.1	(0.2)	45.1	(11.1)	(362.4)
Profit / (loss) for the year	763.0	1,426.3	(96.3)	(154.6)	(243.4)	6.4	(652.5)	(275.3)	773.6
Segment assets	1,948.9	8,902.9	1,367.9	1,491.9	1,857.2	99.7	(3,611.8)	(1,707.3)	10,349.4
Segment liabilities	(480.0)	(4,138.9)	(996.3)	(1,956.0)	(1,542.9)	(27.6)	4,016.6	1,032.4	(4,092.7)
Depreciation and amortization	(63.6)	(538.5)	(106.6)	(82.7)	(101.1)	(2.1)	-	101.1	(793.5)
Capital expenditures	(253.9)	(220.9)	(51.2)	(17.9)	-	(18.7)	-	-	(562.6)

* Operating profit / (loss) before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets

21 Segment information (continued)

Information on segments' profit or loss for the year ended 31 December 2013 and their assets and liabilities on this date is as follows:

	Mining	Russian flat products	Russian long products	Foreign rolled products	Investments in associate entity NBH	All other	Inter-segmental operations and balances	NBH deconsolidation adjustments	Total
Revenue from external customers	372.2	6,240.6	1,328.2	1,693.0	1,446.9	0.6	-	(263.1)	10,818.4
Intersegment revenue	978.8	1,623.8	388.1	1.7	5.8	-	(2,992.4)	(5.8)	-
Cost of sales	(423.0)	(6,655.5)	(1,507.8)	(1,795.7)	(1,327.6)	(0.3)	2,826.3	217.7	(8,665.9)
Gross profit / (loss)	928.0	1,208.9	208.5	(101.0)	125.1	0.3	(166.1)	(51.2)	2,152.5
Operating profit / (loss)*	787.1	(254.6)	324.8	(42.3)	(244.9)	(8.1)	10.3	36.5	608.8
Net finance income / (costs)	23.3	52.1	(107.3)	(37.0)	(18.5)	1.0	-	5.1	(81.3)
Income tax expense	(118.1)	(85.8)	(5.5)	6.0	(81.7)	(0.2)	1.6	28.7	(255.0)
Profit / (loss) for the year	766.2	167.1	197.3	(61.4)	(347.6)	0.8	(574.9)	16.7	164.2
Segment assets	2,382.5	13,223.2	2,799.6	1,476.3	2,094.2	62.8	(3,912.6)	(1,673.0)	16,453.0
Segment liabilities	(177.0)	(6,021.3)	(1,996.5)	(1,692.2)	(1,782.4)	(53.1)	4,366.1	1,301.9	(6,054.5)
Depreciation and amortization	(71.5)	(553.1)	(88.0)	(74.8)	(112.6)	-	-	28.9	(871.1)
Capital expenditures	(125.7)	(391.5)	(179.8)	(48.5)	-	(10.8)	-	-	(756.3)

* Operating profit / (loss) before equity share in net losses of associates and other companies accounted for using the equity method of accounting, impairment and write-off of assets

Geographically, all significant assets, production and administrative facilities of the Group are located in Russia, USA and Europe.

22 Risks and uncertainties

(a) Operating environment of the Group

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 24(f)).

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business.

The political and economic turmoil witnessed in the region, including continuing international sanctions against certain Russian companies and individuals have had and may continue to have a negative impact on the Russian economy. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict, however, Management is taking necessary measures to ensure sustainability of the Group's operations.

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

(b) Market risk

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

Interest rate risk

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

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

The interest rate risk profile of the Group is follows:

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Fixed rate instruments			
Financial assets	2,427.7	2,103.5	2,363.9
- cash and cash equivalents (Note 3)	343.0	549.2	970.0
- short-term financial investments (Note 5)	1,242.6	621.3	484.6
- trade and other accounts receivable less allowance (Note 6)	622.3	791.7	904.8
- long-term financial investments (Note 5)	219.8	141.3	4.5
Financial liabilities	(2,065.8)	(2,366.9)	(3,508.3)
- trade, other accounts payable and dividends payable (Note 10)	(519.5)	(464.7)	(712.3)
- short-term borrowings (Note 11)	(230.8)	(302.5)	(525.0)
- long-term borrowings (Note 11)	(1,315.5)	(1,599.7)	(2,271.0)

22 Risks and uncertainties (continued)

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Variable rate instruments			
Financial assets	-	-	78.4
- short-term financial investments (Note 5)	-	-	0.4
- long-term financial investments (Note 5)	-	-	78.0
Financial liabilities	(1,129.8)	(866.3)	(1,394.5)
- short-term borrowings (Note 11)	(329.0)	(501.8)	(611.7)
- long-term borrowings (Note 11)	(800.8)	(364.5)	(782.8)

A change of 100 basis points in interest rates for variable rate instruments would have insignificantly change profit and equity.

Foreign currency risk

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

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

The net foreign currency position presented below is calculated in respect of major currencies by items of consolidated statement of financial position as the difference between assets and liabilities denominated in a currency other than the functional currency of the entity at 31 December 2015.

	US dollar	Euro
Cash and cash equivalents	196.4	39.6
Trade and other accounts receivable	2.9	303.6
Short-term financial investments	1,079.9	129.4
Long-term financial investments	-	222.1
Trade and other accounts payable	(42.3)	(95.2)
Short-term borrowings	(19.8)	(145.6)
Long-term borrowings	(1,578.3)	(400.8)
Net foreign currency position	(361.2)	53.1

The net foreign currency position presented below is calculated in respect of major currencies by items of consolidated statement of financial position as the difference between assets and liabilities denominated in a currency other than the functional currency of the entity at 31 December 2014.

	US dollar	Euro
Cash and cash equivalents	230.4	107.1
Trade and other accounts receivable	7.0	402.1
Short-term financial investments	423.0	164.8
Long-term financial investments	-	141.2
Trade and other accounts payable	(40.7)	(107.2)
Short-term borrowings	(117.7)	(126.9)
Long-term borrowings	(1,178.3)	(494.0)
Net foreign currency position	(676.3)	87.1

22 Risks and uncertainties (continued)

The net foreign currency position presented below is calculated in respect of major currencies by items of consolidated statement of financial position as the difference between assets and liabilities denominated in a currency other than the functional currency of the entity at 31 December 2013.

	US dollar	Euro
Cash and cash equivalents	460.5	161.2
Trade and other accounts receivable	3.1	418.4
Short-term financial investments	350.3	107.2
Other non-current assets	0.6	-
Trade and other accounts payable	(51.2)	(93.3)
Short-term borrowings	(169.6)	(170.6)
Long-term borrowings	(1,400.0)	(682.8)
Net foreign currency position	(806.3)	(259.9)

Sensitivity analysis

Sensitivity is calculated by multiplying a net foreign currency position of a corresponding currency by percentage of currency rates changes.

A 25 percent strengthening of the following currencies against the functional currency as at 31 December 2015, 2014 and 2013 would have increased / (decreased) equity by the amounts shown below, however effect on profit for the year would be different, and would amount to \$87.6, \$196.8 and \$105.3, respectively, due to foreign exchange gain from intercompany operations (Note 19).

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
US dollar	(90.3)	(169.1)	(201.6)
Euro	13.3	21.8	(65.0)

A weakening of these currencies against the functional currency would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Commodity price risk

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

The Group minimizes its risks, related to production distribution, by having a wide range of geographical zones for sales, which allows the Group to respond quickly to negative changes in the situation on one or more sales markets on the basis of an analysis of the existing and prospective markets.

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

To mitigate the corresponding risks the Group also uses formula pricing tied to price indices for steel products when contracting raw and auxiliary materials.

22 Risks and uncertainties (continued)

(c) Credit risk

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

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

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

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

The Group's maximum exposure to credit risk by class of assets reflected in the carrying amounts of financial assets on the consolidated statement of financial position is as follows:

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Cash and cash equivalents (Note 3)	343.0	549.2	970.0
Trade and other accounts receivable (Note 6)	622.3	791.7	904.8
Short-term financial investments (Note 5)	1,242.6	621.3	485.0
Long-term financial investments (Note 5)	219.8	141.3	82.5
Total on-balance sheet exposure	2,427.7	2,103.5	2,442.3
Financial guarantees issued (Note 23(d))	273.2	611.6	790.6
	2,700.9	2,715.1	3,232.9

Analysis by credit quality, based on international agencies' credit rating of bank balances and term deposits as well as short-term and long-term bank deposits is as follows:

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Bank balances and term deposits			
AAA-BBB	244.3	504.9	837.6
BB-B	95.6	38.9	122.0
Unrated and cash on hand	3.1	5.4	10.4
	343.0	549.2	970.0
Short-term and long-term bank deposits			
AAA-BBB	756.4	549.2	370.3
BB-B	415.3	0.2	10.4
Unrated	-	-	-
	1,171.7	549.4	380.7

22 Risks and uncertainties (continued)

As at 31 December 2015, trade, other receivables and advances given to suppliers were overdue as indicated below with accruals of corresponding allowance after due dates:

	Trade accounts receivable	Advances given to suppliers	Other accounts receivable
Undue	485.8	43.8	269.9
Overdue, including:	127.8	10.2	19.2
- up to 1 month	84.9	3.0	1.0
- from 1 to 3 months	16.0	0.7	0.6
- from 3 to 12 months	7.8	1.3	9.8
- over 12 months	19.1	5.2	7.8
	<u>613.6</u>	<u>54.0</u>	<u>289.1</u>
Allowance	<u>(16.3)</u>	<u>(4.2)</u>	<u>(15.3)</u>
Net of allowance	<u>597.3</u>	<u>49.8</u>	<u>273.8</u>

As at 31 December 2014, trade, other receivables and advances given to suppliers were overdue as indicated below with accruals of corresponding allowance after due dates:

	Trade accounts receivable	Advances given to suppliers	Other accounts receivable
Undue	669.3	49.3	290.9
Overdue, including:	132.7	20.4	18.5
- up to 1 month	60.1	6.8	0.9
- from 1 to 3 months	31.2	3.6	0.5
- from 3 to 12 months	11.7	5.3	4.9
- over 12 months	29.7	4.7	12.2
	<u>802.0</u>	<u>69.7</u>	<u>309.4</u>
Allowance	<u>(28.6)</u>	<u>(9.6)</u>	<u>(20.4)</u>
Net of allowance	<u>773.4</u>	<u>60.1</u>	<u>289.0</u>

22 Risks and uncertainties (continued)

As at 31 December 2013, trade, other receivables and advances given to suppliers were overdue as indicated below with accruals of corresponding allowance after due dates:

	Trade accounts receivable	Advances given to suppliers	Other accounts receivable
Undue	730.7	55.9	529.2
Overdue, including:	171.0	25.8	30.1
- up to 1 month	67.2	7.4	0.9
- from 1 to 3 months	43.8	4.8	0.6
- from 3 to 12 months	5.3	2.5	2.3
- over 12 months	54.7	11.1	26.3
	<u>901.7</u>	<u>81.7</u>	<u>559.3</u>
Allowance	<u>(39.3)</u>	<u>(19.3)</u>	<u>(25.1)</u>
Net of allowance	<u>862.4</u>	<u>62.4</u>	<u>534.2</u>

As at 31 December 2015, 2014 and 2013 the Group does not have trade and other accounts receivable which was overdue and not impaired.

(d) Liquidity risk

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

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

The table below analyses the Group's short-term and long-term borrowings by their remaining corresponding contractual maturity. The amounts disclosed in the maturity table are the undiscounted cash outflows.

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Less than 1 year	752.5	877.6	1,269.1
From 1 to 2 years	473.1	719.7	1,396.0
From 2 to 5 years	1,799.8	1,442.7	1,998.0
Over 5 years	37.6	8.7	29.1
Total borrowings	<u>3,063.0</u>	<u>3,048.7</u>	<u>4,692.2</u>

Liquidity risk related to financial guarantees issued disclosed in Note 23(d).

As at 31 December 2015, 2014 and 2013 the Group does not have significant trade and other accounts payable with maturity over one year and its carrying amount approximates its fair value.

(e) Insurance

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

23 Related party transactions

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

(a) Sales to and purchases from related parties

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Sales			
NBH group companies	731.8	985.7	227.7
Other related parties	4.7	7.7	9.1
Purchases			
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	324.9	375.9	411.3
Other related parties	64.4	60.6	16.3

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

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Accounts receivable and advances given			
NBH group companies	220.8	300.9	294.2
Other related parties	27.3	17.5	36.8
Accounts payable			
Universal Cargo Logistics Holding group companies (companies under the common control of beneficial owner)	5.8	2.3	15.2
Other related parties	18.9	25.2	6.3

(c) Financial transactions

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Loans, issued to NBH group companies (Note 5)	285.1	209.6	185.6
Deposits and current accounts in PJSC Bank ZENIT and PJSC Lipetskcombank (companies under the significant influence of the Group's controlling shareholder)	24.2	36.5	92.4

When issuing loans to the foreign companies of the Group and companies accounted for using the equity method, interest rate is determined using information on similar external deals subject to company's internal credit rating.

Interest income from deposits and current accounts in PJSC Bank ZENIT and PJSC Lipetskcombank for the years ended 31 December 2015, 2014 and 2013 amounted to \$2.4, \$3.5 and \$3.3, respectively.

(d) Financial guarantees issued

As at 31 December 2015, 2014 and 2013 guarantees issued by the Group for borrowings of NBH group companies' amounted to \$273.2, \$611.6 and \$790.6, respectively, which is the maximum potential amount of future payments, paid on demand of the guarantee. No amount has been accrued in these consolidated financial statements for the Group's obligation under these guarantees as the Group assesses probability of cash outflows, related to these guarantees, as low.

23 Related party transactions (continued)

The maturity of the guaranteed obligations is as follows:

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Less than 1 year	82.0	528.9	176.8
From 1 to 2 years	14.3	61.8	533.3
Over 2 years	176.9	20.9	80.5
	273.2	611.6	790.6

(e) Contributions to non-governmental pension fund and charity fund

Total contributions to a non-governmental pension fund and charity fund in 2015, 2014 and 2013 amounted to \$6.5, \$9.1 and \$6.5, respectively. The Group has no long-term commitments to provide funding, guarantees or other support to the abovementioned funds.

(f) Common control transfers

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

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

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

24 Commitments and contingencies

(a) Anti-dumping investigations

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

(b) Litigation

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

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

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

No further appeal is possible in these claims.

24 Commitments and contingencies (continued)

In the third quarter of 2014 the Group received about \$104.0, in November 2015 about \$17 and in January 2016 about \$11, in course of bankruptcy proceedings which were the result of execution of the decision taken by Russian court in 2012. These amounts are included in "Gains on investments" line in the consolidated statement of profit or loss.

Recently there are still certain court proceedings initiated by the non-controlling shareholder of OJSC Maxi-Group going on in European courts and related to the claim filed to ICA Court in January 2010. In 2014 courts in France and England decided to execute a decision of ICA Court (which was cancelled in Russia) on the territory of these states. In December 2014 the Parent Company claimed the appeal on a decision of French court and in November 2015 – the appeal on a decision of English court. The Group's management considers the probability of unfavorable outcome and cash outflow in connection with these court proceedings is low and accordingly, no accruals in relation to these claims were made in these consolidated financial statements.

(c) Environmental matters

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

(d) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to \$564.7, \$620.8 and \$498.6 as at 31 December 2015, 2014 and 2013, respectively.

(e) Social commitments

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

(f) Tax contingencies

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

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

24 Commitments and contingencies (continued)

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the certainty that these companies do not have a permanent establishment in Russia and, correspondingly, are not subject to profit tax. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently. However, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income may be a subject to a 20% tax rate. As a result, the Group's management analyses the impact of new tax provisions on Group's activity and implements the required actions in order to comply with Russian tax requirements. Based on its own understanding of new provisions of tax legislation and the fact that the practice of implementation of these provisions has not formed, management does not recognise current tax expense as well as deferred taxes for temporary differences related to the relevant Group's subsidiaries to which the CFC legislation applies to and to the extent that the Group is obliged to settle such taxes.

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

(g) Major terms of loan agreements

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

25 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group from one reporting period to another.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are those entities that the Group controls because the Group has (a) power over the investees (that is, it can direct relevant activities of the investees that significantly affect their returns); (b) exposure, or rights, to variable returns from its involvement with the investees; and (c) the ability to use its power over the investees to affect the amount of investor returns.

Subsidiaries are consolidated when the Group obtains control over an investee and terminates when the Group ceases to have control over the investee.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Parent Company's equity.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

25 Significant accounting policies (continued)

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of an acquiree from the aggregate of: the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree, and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews the appropriateness of their measurement.

Consideration transferred for an acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition-related costs such as fees for advisory, legal, valuation and similar professional services. Transaction costs related to an acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of a business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

All intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Parent Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Associates and other companies accounted for using the equity method of accounting

Associates and other companies accounted for using the equity method of accounting are entities over which the Group has significant influence, but not control or joint control over financial or operating policies.

Investments in associates and other companies accounted for using the equity method of accounting are initially recognised at cost (fair value of the consideration transferred).

The Group also uses the equity method of accounting to account for an agreement under which the parties exercising joint control of the arrangement are entitled to the net assets of the company accounted for using the equity method of accounting. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Dividends received from associates and other companies accounted for using the equity method of accounting reduce the carrying value of the investment in associates and other companies accounted for using the equity method of accounting. The Group's share of profits or losses of associates and other companies accounted for using the equity method of accounting after acquisition is recorded in the consolidated statement of profit or loss for the year as share of financial result of associates and other companies accounted for using the equity method of accounting. The Group's share in the change of other comprehensive income after the acquisition is recorded within other comprehensive income as a separate line item. All other changes in the Group's share of the carrying amount of net assets of the associates and other companies accounted for using the equity method of accounting are recognised in profit or loss within the share of financial results of the associates and other companies accounted for using the equity method of accounting, but the treatment could be different depending on the substance of the change.

However, when the Group's share of losses in an associate and other companies accounted for using the equity method of accounting equals or exceeds its interest in the associate or company accounted for using the equity method of accounting, including any other unsecured receivables, the Group does not recognise further losses, unless this is required by law or it has incurred obligations or made payments on behalf of the associate or other companies accounted for using the equity method of accounting.

25 Significant accounting policies (continued)

Unrealised gains on transactions between the Group and its associates and other companies accounted for using the equity method of accounting are eliminated to the extent of the Group's interest in these entities. Unrealised losses arising from transactions between the Group and its associates and other companies accounted for using the equity method of accounting are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

In the consolidated statement of financial position, the Group's share in the associate or other companies accounted for using the equity method of accounting is presented at the carrying amount inclusive of goodwill at the acquisition date and the Group's share of post-acquisition profits and losses net of impairment loss.

Disposals of subsidiaries, associates or other companies accounted for using the equity method of accounting

When the Group ceases to have control or significant influence, any retained interest in the subsidiary, associate or company accounted for using the equity method of accounting is re-measured to its fair value, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, company accounted for using the equity method of accounting, or financial asset. In addition, any amounts previously recognised in other comprehensive income, in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

At the date when the Group's control ceases, it de-recognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position and recognises profit or loss connected with the loss of control attributable to the former controlling stake.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Cash and cash equivalents

Cash and cash equivalents include cash balances in hand, cash on current accounts with banks, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

(c) Restricted cash

Restricted cash balances comprise balances of cash and cash equivalents which are legally or contractually restricted from withdrawal.

Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

(d) Value added tax (VAT)

Output value added tax arising upon the sale of goods (performance of work, provision of services) is payable to the tax authorities on the earlier of: (a) collection of receivables from customers; or (b) delivery of goods (work, services) or property rights to customers. VAT is excluded from revenue.

Input VAT on goods and services purchased (received) is generally recoverable against output VAT upon receipt of the VAT invoice. VAT related to sales / purchases and services provision / receipt payments to the budget which has not been settled with at the balance sheet date (deferred VAT) is recognised in the consolidated statement of financial position on a gross basis and disclosed separately within current assets and current liabilities.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debt, including VAT.

25 Significant accounting policies (continued)**(e) Inventories**

Inventories are recorded at the lower of cost and net realisable value (the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses).

Inventories include raw materials designated for use in the production process, finished goods, work in progress and goods for resale.

Release to production or any other write-down of inventories is carried at the weighted average cost.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Other costs are included in the cost of inventories only to the extent they were incurred to provide for the current location and condition of inventories.

When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories, including obsolete inventories written down, shall be recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(f) Property, plant and equipment (PP&E)***Measurement at recognition***

Property, plant and equipment are initially stated at cost (historical cost model). The PP&E cost includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the relevant entity's management;
- the initial estimate of the cost of subsequent dismantling and removal of a fixed asset, and restoring the site on which it was located, the obligation for which the relevant entity incurs either when the item is acquired or as a consequence of having used the item during a specific period for purposes other than to produce inventories during that period.

The value of property, plant and equipment built using an entity's own resources includes the cost of materials and labour, and the relevant portion of production overhead costs directly attributable to the construction of the PP&E.

Borrowing costs directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to prepare for use or sale are included in the cost of this asset.

Recognition of costs in the carrying amount of a property, plant and equipment item ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management of the relevant entity.

Subsequent measurement

Property, plant and equipment items are carried at cost less accumulated depreciation and recognised impairment losses.

25 Significant accounting policies (continued)***Subsequent expenditures***

The costs of minor repairs are expensed when incurred. The costs of regular replacement of large components of property, plant and equipment items are recognised in the carrying amount of the relevant asset when incurred subject to recognition criteria. The carrying amount of the parts being replaced is de-recognised.

When a large-scale technical inspection is conducted, related costs are recognised in the carrying amount of a fixed asset as replacement of previous technical inspection subject to recognition criteria. Any costs related to the previous technical inspection that remain in the carrying value shall be de-recognised.

Other subsequent expenditures are capitalised only when they increase the future economic benefits embodied in these assets.

All other expenses are treated as costs in the consolidated statement of profit or loss in the reporting period as incurred.

Property, plant and equipment line of the consolidated statement of financial position also includes capital construction and machinery, and equipment to be installed.

If PP&E items include major units with different useful lives, then each individual unit of the related asset is accounted for separately.

Borrowing costs

Borrowing costs are capitalised from the date of capitalisation and up to the date when the assets are substantially ready for utilisation or sale.

The commencement date for capitalisation is when the Group (a) incurs expenditures for the qualifying asset; (b) incurs borrowing costs; and (c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

When funds borrowed for common purposes are used to purchase an asset, capitalised borrowing costs are determined through multiplying the capitalisation rate by expenses related to the asset.

Interest payments capitalised under IAS 23 are classified in consolidated statement of cash flows in a manner that is consistent with the classification of the underlying asset on which the interest is capitalised.

All other borrowing costs are attributed to expenses in the reporting period when incurred and recorded in the consolidated statement of profit or loss in the "Finance costs" line.

Mineral rights

Exploration and evaluation assets are carried at original cost and classified consistently within tangible or intangible assets depending on their nature. Mineral rights acquired as a result of a business combination are measured at fair value at the acquisition date. Other mineral rights and licenses are recorded at cost. Mineral rights are amortised using the straight-line basis over the license term given approximately even production output during the license period.

25 Significant accounting policies (continued)

Depreciation

Depreciation is charged on a straight-line basis over the estimated remaining useful lives of the individual assets through an even write-down of historical cost to their net book value. Property, plant and equipment items under finance leases and subsequent capitalised expenses are depreciated on a straight-line basis over the estimated remaining useful lives of the individual assets. Depreciation commences from the time an asset is available for use, i.e. when the location and condition provide for its operation in line with the Group management's intentions.

Depreciation is not charged on assets to be disposed of and on land. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the consumption of benefits to be derived from it.

The range of estimated useful lives of different asset categories is as follows:

Buildings and land and buildings improvements	1 – 105 years
Machinery and equipment	1 – 87 years
Vehicles	1 – 39 years

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

If the cost of land includes the costs of site dismantlement, removal of PP&E items and restoration expenses, that portion of the land asset is depreciated over the period of consumption of benefits obtained by incurring those costs.

Impairment of PP&E is outlined in section (j) "Impairment of non-current assets".

(g) Leasing

Leasing transactions are classified according to the relevant lease agreements, which specify the risks and rewards associated with the leased property and distributed between the lessor and lessee. Lease agreements are classified as financial leases or operating leases.

In a financial lease, the Group receives the major portion of economic benefits and risks associated with the ownership of the asset. At the commencement of the lease term, the leased asset is recognised in the consolidated statement of financial position at the lower of fair value or discounted value of future minimum lease payments. The corresponding rental obligations are included in borrowings. Interest expenses within lease payments are charged to profit or loss over the lease term using the effective interest method.

Accounting policies for depreciation of leased assets are consistent with the accounting policies applicable to owned depreciable assets.

A lease is classified as an operating lease if it does not imply transferring the major portion of risks and rewards associated with the ownership of the asset. Payments made under operating leases are recorded as an expense on a straight-line basis over the lease term.

25 Significant accounting policies (continued)**(h) Goodwill and intangible assets**

Goodwill is the difference between:

- the comprehensive acquisition date fair value of the consideration transferred and non-controlling interest, and, where the entity is acquired in instalments, the acquisition date fair value of the non-controlling interest previously held by the buyer in the acquired entity; and
- the share of net fair value of identifiable assets acquired and liabilities assumed.

The excess of the share of net fair value of identifiable assets bought and obligations assumed by the Group over the consideration transferred and the fair value of non-controlling interest at the acquisition date previously owned by the buyer in the acquired entity, represents income from a profitable acquisition. Income is recognised in the consolidated statement of profit or loss at the acquisition date.

Goodwill on associates and other equity-accounted entities is included in the carrying amount of investments in these entities.

When interest in the previously acquired entity increases (within non-controlling interest) goodwill is not recognised. The difference between the acquired share of net assets and consideration transferred is recognised in equity.

Goodwill is measured at historical cost and subsequently stated less accumulated impairment losses.

Impairment of goodwill

The goodwill is not amortised but tested for impairment at least annually and whenever there are indications that goodwill may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination. The evaluation of impairment for cash-generating units, among which goodwill was distributed, is performed once a year or more often, when there are indicators of impairment of such CGUs.

If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to any other assets of the CGU pro-rata to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Disposal of goodwill

If goodwill is a part of the cash-generating unit, and a part of the unit is disposed of, the goodwill pertaining to that part of disposed operations is included in the carrying amount of that operation when profit or loss on its disposal is determined. In such circumstances, the goodwill disposed of is generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

25 Significant accounting policies (continued)***Intangible assets***

Intangible assets are initially recognised at cost.

The cost of a separately acquired intangible asset comprises:

- its purchase price, including non-refundable purchase taxes, after deducting trade discounts and rebates;
- any directly attributable cost of preparing the asset for its intended use.

If an intangible asset is acquired as a result of a business combination, the cost of the intangible asset equals its fair value at the acquisition date.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the entire period of credit unless it is capitalised in accordance with IAS 23, "Borrowing Costs".

If an intangible asset is an integral part of a fixed asset to which it belongs, then it is recorded as part of that asset.

After the initial recognition of intangibles, they are carried at cost less any accumulated amortisation and any accumulated impairment loss. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Amortisation

An intangible asset with an indefinite useful life is not amortised. Intangible assets with a definite useful life are amortised using the straight-line method over the shorter of: the useful life or legal rights thereto.

(i) Decommissioning obligation

The Group's obligations related to assets disposal include estimating costs related to restoration of land in accordance with applicable legal requirements and licenses.

Decommissioning costs are carried at the present value of expected expenses to settle obligations that is calculated using estimated cash flows and are recognised as a part of the historical cost of the asset. Capitalised costs are amortised over the asset's useful life.

Cash flows are discounted at the current rate before tax, which reflects risks inherent to the asset decommissioning obligations. The effect of discounting is recognised in the consolidated statement of profit or loss as finance costs.

The estimated future costs related to decommissioning are reviewed annually and adjusted as necessary.

(j) Impairment of non-current assets

At each reporting date, the Group determines if there are any objective indications of potential impairment of an individual asset or group of assets.

Intangible assets with indefinite useful lives are tested for impairment at least once a year if their carrying amount impairment indicators are identified.

25 Significant accounting policies (continued)***Recoverable value measurement***

If any such impairment indicators exist, then the asset's recoverable amount is estimated. In the event of impairment, the value of the asset is written down to its recoverable value, which represents the higher of: the fair value less costs to sell or the value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset or payable on the transfer of a liability at the evaluation date, in an arm's length transaction between knowledgeable, willing parties, less any direct costs related to the sale or transfer.

Value in use is the present value of estimated future cash flows from expected continuous use of an asset and its disposal at the end of its useful life.

In assessing value-in-use, the anticipated future cash proceeds are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), which in most cases are determined as individual subsidiaries of the Group. Estimated cash flows are adjusted in line with the risk of specific conditions at sites and discounted at the rate based on the weighted average cost of capital. With regard to assets that do not generate cash regardless of cash flows generated by other assets, the recoverable amounts are based on the cash-generating unit to which such assets relate.

Impairment loss

The asset's carrying amount is written down to its estimated recoverable value, and loss is included in the consolidated statement of profit or loss for the period. Impairment loss is reversed if there are indications that the assets' impairment losses (other than goodwill) recognised in previous periods no longer exist or have been reduced, and if any consequent increase in the recoverable value can be objectively linked to the event that took place after the impairment loss recognition. Impairment loss is reversed only to the extent that the carrying amount of an asset does not exceed its carrying amount that would be established (less amortisation) if the asset impairment loss had not been recognised. An impairment loss is reversed for the relevant asset immediately through consolidated statement of profit or loss.

(k) Pension and post-retirement benefits other than pensions

The Group recognises liabilities for post-employment benefits, including one-off payments made upon retirement. For the nine months ended 30 September 2013, the Group maintained defined benefit pension plans that covered the majority of its employees in Europe (Note 20).

The Parent Company and some other Group companies maintain defined contribution plans in accordance with which contributions are made on a monthly basis to a non-government pension fund (the "Fund"), calculated as a certain fixed percentage of the employees' salaries. These pension contributions are accumulated in the Fund during the employment period and subsequently distributed by the Fund. Accordingly, the Group has no long-term commitments to provide funding, guarantees, or other support to the Fund.

The Group complies with the pension and social insurance legislation of the Russian Federation and the other countries where it operates. Contributions to the Russian Federation Pension Fund by the employer are calculated as a percentage of current gross salaries. Such contributions constitute defined contribution plans.

Payments under defined contribution plans are expensed as incurred.

25 Significant accounting policies (continued)**(l) Provisions for liabilities and charges**

Provisions for liabilities and charges are accrued when the Group:

- has present obligations (legal or constructive) as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle such an obligation;
- a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision shall be the best estimate of the expenses required to settle the present obligation at the end of the reporting period. Where the impact of the time factor on the value of money is significant, the provision should equal the present value of the expected cost of settling the liability using the discount rate before taxes. Any increase in the carrying amount of the provision is recorded in the consolidated statement of profit or loss as finance costs.

The nature and estimated value of contingent liabilities and assets (including court proceedings, environmental costs, etc.) are disclosed in notes to the consolidated financial statements where the probability of economic benefits outflow is insignificant.

The creation and release of provision for impaired receivables have been included in selling expenses in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(m) Call and put options

Call and put options are carried at their fair value in the consolidated financial statements. These options are accounted for as assets when their fair value is positive (for call options) and as liabilities when the fair value is negative (for put options). Changes in the fair value of options are reflected in the consolidated statement of profit or loss.

(n) Income taxes

Income tax expense comprises current and deferred tax. The current and deferred taxes are recognised in profit or loss for the period, except for the portion thereof that arises from a business combination or transactions or events that are recognised directly within equity.

Current tax

Current tax liabilities are measured in the amount expected to be paid to (recovered from) the tax authorities, applying the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax assets and liabilities are recognised for the differences between the carrying amount of an asset or liability in the consolidated statement of financial position and their tax base.

25 Significant accounting policies (continued)

Deferred tax is not recognised if temporary differences:

- arise at the goodwill initial recognition;
- arise at the initial recognition (except for business combination) of assets and liabilities that do not impact taxable or accounting profits;
- are associated with investments in subsidiaries where the Group controls the timing of the reversal of these temporary differences, and it is probable that the temporary differences will not be utilised in the foreseeable future.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Estimation of tax assets and liabilities reflects tax implications that would arise depending on the method to be used at the end of the reporting period to recover or settle carrying value of these assets or liabilities.

Deferred tax assets are recognised in respect of the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised.

The carrying amount of deferred tax assets is subject to revision at the end of each reporting period and is decreased to the extent of reduced probability of receiving sufficient taxable income to benefit from utilising the deferred tax assets partially or in full.

Deferred tax assets and liabilities are offset if there is a legal right for the offset of current tax assets and liabilities, and when they relate to income taxes levied by the same tax authority or on the same taxpayer; and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

(o) Dividends payable

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the consolidated financial statements have been authorised for issue are disclosed in the subsequent events note.

(p) Revenue recognition***Revenue from sales of goods and provision of services***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group, and the specific criteria stipulated by IAS 18, "Revenue" have been met for each type of Group revenues.

Revenue is recorded less of discounts, provisions, value added tax and export duties, and refunds, and after excluding internal Group sales turnover.

25 Significant accounting policies (continued)

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenue from services is recognised in the period in which the services were rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be rendered under the relevant agreement.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income on investments is recognised when the Group becomes entitled to receive the payment.

(q) Segment information

The Group provides separate disclosures on each operating segment that meets the criteria outlined in paragraph 11 of IFRS 8, "Operating Segments".

The Group's organisation comprises five reportable segments:

- the Russian flat products segment, comprising production and sales of steel products and coke, primarily pig iron, steel slabs, hot rolled steel, cold rolled steel, galvanised cold rolled sheet and cold rolled sheet with polymeric coatings and also electro-technical steel;
- the Foreign rolled products segment, comprising production and sales of steel products in the United States and Europe;
- the Russian long products segment, comprising a number of steel-production facilities combined in a single production system beginning from scrap iron collection and recycling to steel-making, production of long products, reinforcing rebar and metalware;
- the Mining segment, which comprises mining, processing and sales of iron ore, fluxing limestone and metallurgical dolomite, and supplies raw materials to the steel segment and third parties;
- Investments in associate entity NBH, comprising production of hot rolled, cold rolled coils and galvanized and pre-painted steel, and also production of a wide range of plates as well as a number of steel service centers located in the European Union.

Other activities and operating segments that are not reportable segments are combined and disclosed in "all other segments".

The accounting policies of each segment are similar to the principles outlined in significant accounting policies.

(r) Financial instruments***Financial assets***

The Group's financial assets include cash and short-term deposits, trade and other accounts receivable, loans and other amounts receivable, quoted and non-quoted financial instruments and derivatives.

Financial assets have the following categories:

- loans and receivables;
- held-to-maturity investments.

25 Significant accounting policies (continued)*Loans and receivables*

Loans and receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to the initial recognition, such financial assets are measured at amortised cost using the effective interest method less any impairment losses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity investments if the Group intends and is able to hold them to maturity. Subsequent to the initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses.

Valuation techniques

Depending on their classification, financial instruments are carried at fair value or amortised cost. Below are the methods and key definitions.

Fair value is the price that would be received from selling an asset or paid when transferring a liability in an orderly transaction between market participants as at the valuation date. The best evidence of fair value is the price quoted in an active market.

The fair value of financial instruments traded in active markets at each reporting date is determined based on the market quotes or dealers' quotes (buy quotes for long positions and sell quotes for short positions) without deducting transaction costs.

Valuation techniques, such as discounted cash flow models, or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure the fair value of financial instruments for which external market pricing information is unavailable.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount (calculated using the effective interest method), and for financial assets less any impairment loss.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Initial recognition of financial assets

Financial investments available for sale and financial assets at fair value through profit or loss are initially recorded at fair value. All other financial assets are initially recorded at fair value plus transaction costs.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at the trade date, which is the date when the Group commits to buy or sell a financial asset.

25 Significant accounting policies (continued)***De-recognition***

The Group de-recognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets, or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control in respect of these assets.

Control of an asset is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. If the Group neither transfers nor retains substantially all risks and rewards of ownership of the asset, but retains control over such transferred asset, the Group continues recognition of its share in this asset and the related obligation in the amount of the anticipated consideration.

Impairment of financial assets

At each reporting date, the Group assesses whether the objective indicators exist that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets are considered to be impaired only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that have had an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or group of debtors are experiencing significant financial difficulty, cannot service their debt or are demonstrating delinquency in interest or principal payments; or they are likely to undergo bankruptcy procedures or any other financial reorganisation. In addition, such evidence includes observable data testifying to an identifiable decline in estimated future cash flows under a financial instrument, in particular, negative changes in a counterparty's payment status caused by changes in the national or local business environment that impact the counterparty, or a significant impairment of collateral, if any, as a result of deteriorated market conditions.

Impairment of financial assets carried at amortised cost

The carrying amount of an asset is reduced by the amount of the allowance for impairment of financial assets. Losses from impairment of financial assets carried at amortised cost are carried through profit or loss as they arise.

Accrual of interest income on the reduced carrying value is continued based on the interest rate applied to discounting the future cash flows for impairment loss assessment.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then de-recognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment of financial investments available for sale

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that a financial investment or a group of financial investments is impaired.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

25 Significant accounting policies (continued)

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the current period's profit or loss.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank overdrafts, borrowings, financial guarantee agreements and derivative financial instruments.

Financial liabilities are respectively classified as:

- financial liabilities at fair value through profit or loss;
- borrowings and loans.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trade and financial liabilities designated initially at fair value through profit or loss. Financial liabilities are classified as held for trade if acquired for the purpose of selling in the short term. Income and expense on liabilities held for trade are recognised in the consolidated statement of profit or loss.

Borrowings

After initial recognition, interest-bearing borrowings are carried at amortised cost using the effective interest method. Gains and losses on such financial liabilities are recognised in consolidated statements of profit or loss upon their de-recognition and also as amortisation accrued using the effective interest method.

Initial recognition of financial liabilities

All financial liabilities are initially recorded at fair value less transaction costs incurred (except for financial liabilities at fair value through the consolidated statements of profit or loss).

De-recognition

A financial liability is de-recognised from the consolidated statement of financial position if it was settled, cancelled or expired.

If the existing financial liability is replaced by another liability to the same creditor, on terms that significantly differ from the previous terms, or the terms of the existing liability significantly differ from the previous terms, such replacement or change is recorded as de-recognition of the initial liability and recognition of a new liability, and the difference in their carrying amount is recognised in the consolidated statement of profit or loss.

Financial guarantee agreements

Financial guarantees issued by the Group are irrevocable agreements requiring a payment to compensate losses incurred by the owner of the agreement due to the inability of the debtor to duly pay under the terms of a debt instrument. Financial guarantee agreements are initially recorded at fair value. Consequently the liability is measured at the higher of the best likelihood estimate of costs necessary to settle the liability at the reporting date, and the amount of the liability less accumulated amortisation.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

25 Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(s) Related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions or exercise a joint control over it. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form.

26 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. Management also makes certain judgements, in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including forecasts and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, and management's estimates can be revised in the future, either negatively or positively, based on the facts surrounding each estimate.

Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are reported below.

(a) Consolidation of subsidiaries

Management judgement is involved in the assessment of control and the consolidation of subsidiaries in the Group's consolidated financial statements.

(b) Tax legislation and potential tax gains and losses

The Group's potential tax gains and losses are reassessed by management at every reporting date. Liabilities which are recorded for income tax positions are determined by management based on the interpretation of current tax laws. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle tax liabilities at the reporting date.

(c) Estimation of remaining useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage based on production volumes, inventories, technical obsolescence rates, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may affect future useful lives (Note 8).

(d) Fair value estimation for acquisitions

In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition. The excess of the purchase price over the fair value of the tangible and identifiable intangible assets acquired, net of liabilities, is recorded as goodwill. A significant amount of judgement is involved in estimating the individual fair values of property, plant and equipment and identifiable intangible assets.

26 Critical accounting estimates and judgements (continued)

The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

(e) Impairment analysis of property, plant and equipment and goodwill

The estimation of forecasted cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates to certain variables including volumes of production and extraction, prices on finished goods, operating costs, capital investment, and macroeconomic factors such as inflation and discount rates. In addition, judgement is applied in determining the cash-generating units assessed for impairment (Notes 8, 9).

Accounting for provisions

Accounting for impairment includes provisions against capital construction projects, financial assets and other non-current assets (at least annually).

(f) Accrual of accounts receivable impairment provision

The impairment provision for accounts receivable is based on the management's assessment of the collectability and recoverable amount of specific customer accounts, being the present value of expected cash flows. If there is deterioration in a major customer's creditworthiness or actual defaults are higher or lower than estimates, the actual results could differ from these estimates.

(g) Control and the consolidation or accounting using equity method of accounting of entities in the Group's consolidated financial statements

Management judgement is involved in the assessment of control and the consolidation or accounting using equity method of accounting of certain entities in the Group's consolidated financial statements. As at 31 December 2015 and 2014 the Group owned 51.0% and 79.5% of shares in NBH, respectively, however, management had concluded that in the light of giving certain governance rights to the party owing the residual interest in this company, the Group does not control this company, thus the Group's investment in NBH should be accounted for under the equity method starting 30 September 2013 (Note 20).

After the partial disposal of NBH as of 30 September 2013, which the Group executed in the context of the continuing restructuring of its European operations aimed at further enhancing efficiency optimizing costs, the Group retained its presence in Europe and in the rolled products line of business. Therefore management believes that this disposal does not meet the definition of a discontinued operations under IFRS 5.

27 New or revised standards and interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted:

- IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
 - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

27 New or revised standards and interpretations (continued)

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
 - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
 - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
 - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a “three stage” approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for trade and lease receivables.
 - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective from the uncertain date). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
 - IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

27 New or revised standards and interpretations (continued)

- IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.
- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017) The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

27 New or revised standards and interpretations (continued)

The Group is currently assessing the impact of the amendments on its financial position and results of operation.

The following new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements once adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

28 Subsequent events

The Group's management has performed an evaluation of subsequent events and did not find any through the period from 1 January 2016 to 23 March 2016, which is the date when these consolidated financial statements are published.