

## PRESS RELEASE

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### NLMK Group Q4 2012 and FY2012 RAS Financial Results

NLMK (LSE: NLMK), the LSE-listed leading Russian steel producer, today announces the Q4 2012 and FY 2012 Russian Accounting Standards (RAS) financial results for its major Russian companies<sup>1</sup>.

More detailed information on NLMK's Q4 2012 and FY 2012 RAS financial results is presented below.

**Note:** Russian Accounting Standards (RAS) results differ materially from US GAAP results and are not comparable to financial statements prepared in accordance with US GAAP. Reference should be made only to consolidated financial statements prepared in accordance with US GAAP for information with respect to NLMK Group's financial condition and results of operations to be published in March 2013.

#### Q4 2012 and FY2012 RAS Financial Results for NLMK Russia, (‘000 RUB, except for percentages)

##### Novolipetsk (NLMK's parent company)

	Q4 2012	Q3 2012	Q4 2012/ Q3 2012	2012	2011	2012/ 2011
Revenue	57,301,536	59,778,956	-4.14%	240,122,719	221,178,073	8.57%
Gross profit	8,159,924	11,486,136	-28.96%	39,126,204	47,154,109	-17.02%
Operating profit	1,284,572	4,872,102	-73.63%	12,919,325	24,421,334	-47.10%
Net profit	4,195,977	6,909,278	-39.27%	25,151,840	34,667,418	-27.45%

<sup>1</sup> Novolipetsk, VIZ-Steel, Stoilensky, NSMMZ (key assets of our Long Products Division) and Altai-Koks

**VIZ-Steel**

	Q4 2012	Q3 2012	Q4 2012/ Q3 2012	2012	2011	2012/ 2011
Revenue	2,042,923	2,149,396	-4.95%	8,784,708	9,779,529	-10.17%
Gross profit	162,831	286,897	-43.24%	988,806	1,642,540	-39.80%
Operating profit	-78,459	15,292		16,426	614,076	-97.33%
Net profit	-194,045	-36,683	x5.3	-141,077	529,288	

**Stoilensky**

	Q4 2012	Q3 2012	Q4 2012/ Q3 2012	2012	2011	2012/ 2011
Revenue	10,303,534	9,581,605	7.53%	39,751,899	40,513,702	-1.88%
Gross profit	6,609,975	6,735,938	-1.87%	27,788,287	30,531,754	-8.99%
Operating profit	5,777,057	5,637,812	2.47%	24,696,777	28,762,999	-14.14%
Net profit	4,362,999	3,665,314	19.03%	19,629,329	23,909,869	-17.90%

**NSMMZ<sup>2</sup>**

	Q4 2012	Q3 2012	Q4 2012/ Q3 2012	2012	2011	2012/ 2011
Revenue	8,156,215	9,539,263	-14.50%	35,604,056	34,489,998	3.23%
Gross profit	555,331	1,376,377	-59.65%	4,105,397	4,976,678	-17.51%
Operating profit	98,948	862,691	-88.53%	2,044,236	756,214	170.33%
Net profit	112,688	-1,203,435		-1,444,781	-14,597,686	-90.10%

<sup>2</sup> NSMMZ is the key asset of the NLMK Long Products Division

## Altai-Koks

	Q4 2012	Q3 2012	Q4 2012/ Q3 2012	2012	2011	2012 / 2011
Revenue	7,528,267	9,373,134	-19.68%	38,430,547	41,060,379	-6.40%
Gross profit	773,963	1,355,476	-42.90%	6,328,147	6,480,086	-2.34%
Operating profit	368,128	835,950	-55.96%	4,595,199	4,251,941	8.07%
Net profit	339,192	613,153	-44.68%	3,511,925	2,979,777	17.86%

### Key highlights

- **Novolipetsk grows revenue in 2012**

In 2012, revenue increased by 8.6% to RUB 240 billion, supported by higher export and domestic sales. An increased share of high value added products in the sales mix served as an additional growth factor, offsetting the overall year-on-year softening in steel prices.

Operating profit was down year-on-year, pressured by lower average steel prices and higher prices for some type of raw materials and energy.

Despite the Q4 growth in sales quarter-on-quarter, lower prices and the seasonally lower share of high value added products were the key factors driving Novolipetsk revenue down to RUB 57.3 billion in Q4 (-4% quarter-on-quarter). As steel price falls were outpacing raw material prices, gross profit and operating profit went down 29% and 74%, respectively, quarter-on-quarter. Repair and maintenance activities planned for the end of the year resulted in higher maintenance costs. This also contributed to lower operating performance.

Q4 net profit hike versus operating profit was driven by a RUB 4.7 billion increase in accrued interim dividends from NLMK affiliates. Q4 2012 net profit decreased by 39% quarter-on-quarter due to tighter operating profit margins and an increase in allowances at the end of the year.

- **VIZ-Steel shows weaker financials**

In 2012, a decrease in prices was the main reason for lower revenue year-on-year. The same factor put pressure on gross profit and operating profit in 2012, bringing them down by 40% and 97%, respectively, year-on-year.

VIZ-Steel FY2012 financials were impacted by the narrowing GO steel-HRC spread.

Lower GO steel sales, due in part to delayed sales recognition for export supplies, coupled with unfavorable market conditions, resulted in lower revenue, gross profit and operating profit in Q4 2012 year-on-year.

- **Stoilensky increases revenue in Q4**

Lower annual average iron ore prices in the global market resulted in a modest revenue decrease in 2012 year-on-year (-1.9%). In 2012, net profit reduced by 18%, driven by higher operating expenses and the FX rate effect.

In Q4, iron ore concentrate sales increased, bringing revenue up by 7.5%. Gross profit contracted mildly (-1.9%), pressured by the seasonal increase in energy costs.

The negative impact of FX differences on intra-group loans nominated in foreign currency weakened. As a result, Q4 net profit increased by 19% quarter-on-quarter.

- **NSMMZ improves operating performance**

In 2012, revenue grew by 3.2% year-on-year, supported by higher sales, partially offsetting the year-on-year reduction in long product prices. Gross profit was down in 2012 by 17.5%, largely because a part of transportation expenses was included into the cost of products sold following changes to the accounting policy. Operating profit grew 2.7 times year-on-year. This is related to a decrease in the cost of raw materials, including lower costs for billets purchased from third parties due to transformer repairs at one of the EAF's in 2011. The 2012 net loss is associated with substantial interest paid. By recovering bad debt provisions, the company reduced its net loss by 90%.

The 14.5% reduction in Q4 revenue quarter-on-quarter was driven by the seasonal decrease in sales and prices. Gross profit and operating profit decreased by 60% and 88.5%, respectively, as steel product price falls outpaced raw material prices; and utilization rates were seasonally down.

In Q4, the bad debt provision was recovered, positively impacting NSMMZ net profit that totaled RUB 113 million.

- **Altai-Koks posts higher net profit**

In 2012, revenue fell by 6% year-on-year, pressured mainly by a dive in prices for coke and chemical products. This factor also drove Altai-Koks gross profit down (-2%) year-on-year. At the same time, operating profit was up 8% year-on-year, as shifts in the geography of sales towards the Russian and the CIS markets resulted in lower transportation costs.

In 2012, net profit increased by 18% on the back of operating profit growth.

Coke and chemical product sales decelerated and prices softened, leading to a 20% decrease in the company's revenue in Q4 quarter-on-quarter. These factors drove gross profit and operating profit down by 43% and 56%, respectively.

In Q4 2012, weaker operating performance resulted in lower net profit: -45% quarter-on-quarter.

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