

# Novolipetsk Steel (NLMK)

## Q1 2011

### Financial and Production Results

US GAAP

Consolidated Financial Statements

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# KEY HIGHLIGHTS

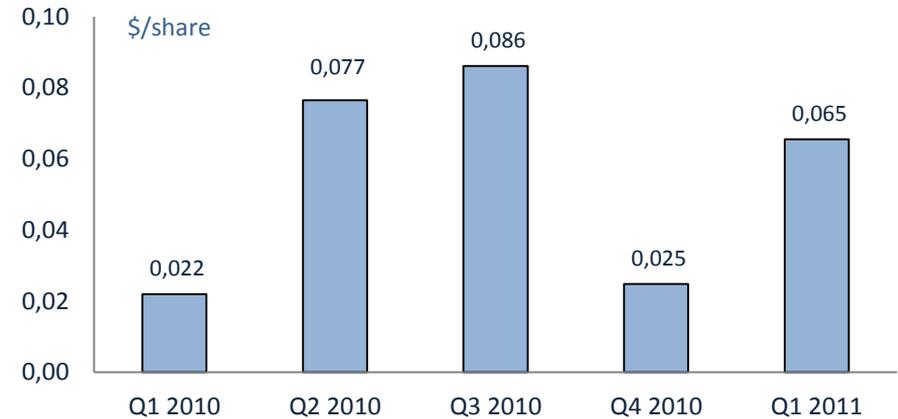
## Q1 2011 FINANCIAL PERFORMANCE

- Revenue: \$2,359 bn (+4% q-o-q)
- Production cost \$1,466 bn (-1% q-o-q)
- EBITDA \$585 mln, (+19% q-o-q)
- EBITDA margin 25%, +3 p.p. q-o-q
- Net income \$392 mln, (+164%)

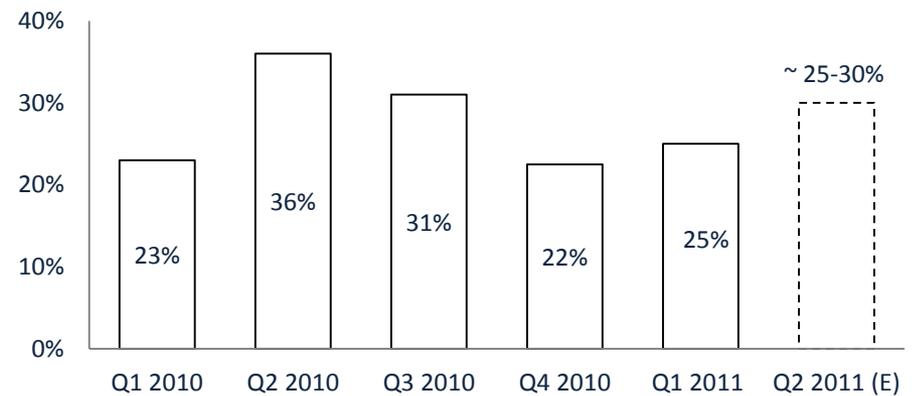
## Q1 2011 OPERATING RESULTS

- Crude steel production: 2.9 m t, -3% q-o-q
- Sales: 2.8 m t, -8% q-o-q
- HVA sales: 0.9 m t, -1% q-o-q
- Average sales price \$745/t (+11%)
- Cash cost per tonne of slabs \$361, +9% q-o-q

## EARNINGS PER SHARE



## EBITDA MARGIN



# PRODUCTION

## INSIGNIFICANT PRODUCTION DECREASE IN Q1 2011 DUE TO SEASONAL FACTOR

- NLMK Group steel output: 2.9 m t, -3%
- Lipetsk site – 2.3 m t
- Long Products Division– 0.4 m t
- NLMK Indiana – 0.2 m t

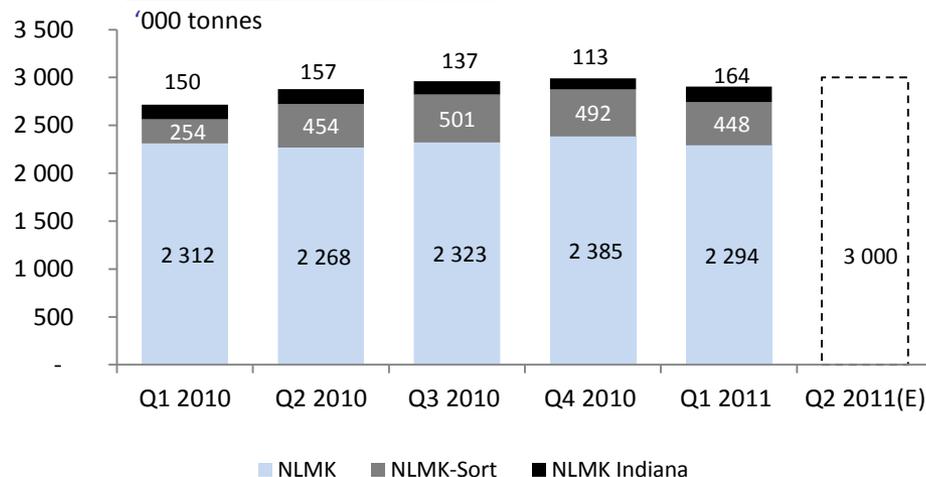
## Q1 2011 STEELMAKING CAPACITIES UTILISATION

- Lipetsk site– 98%
- Long Products Division– 93%
- NLMK Indiana – 90%

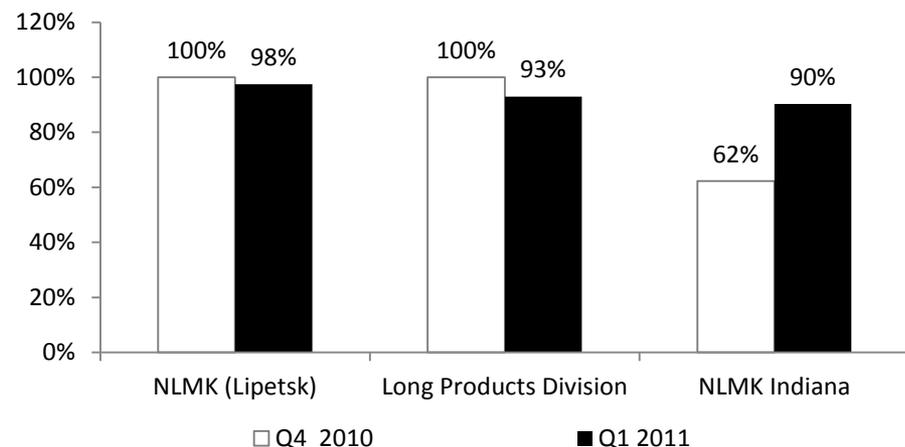
## Q2 2011 OUTLOOK

- Total production around 3,0 m t , +5%

## CRUDE STEEL PRODUCTION



## STEELMAKING CAPACITIES UTILISATION



# SALES AND REVENUE IN Q1 2011

## IMPROVED SALES STRUCTURE

- HVA products share growth up to 32% (+3p.p.)

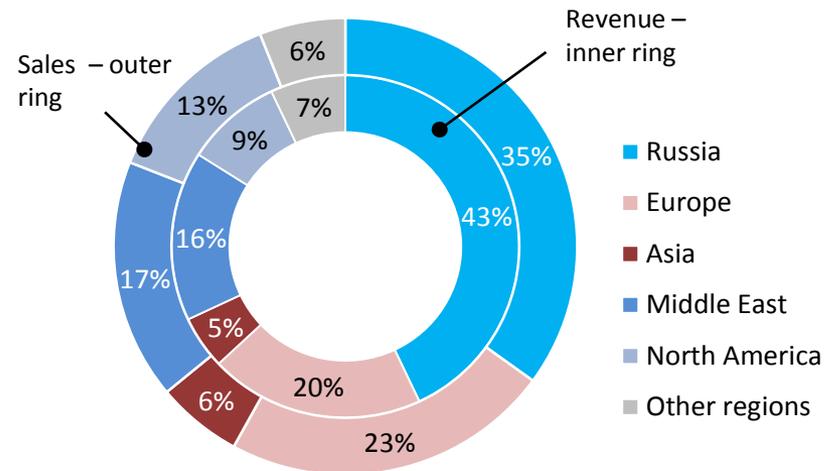
## INCREASED SALES TO DOMESTIC MARKET

- 43% domestic market share in revenue

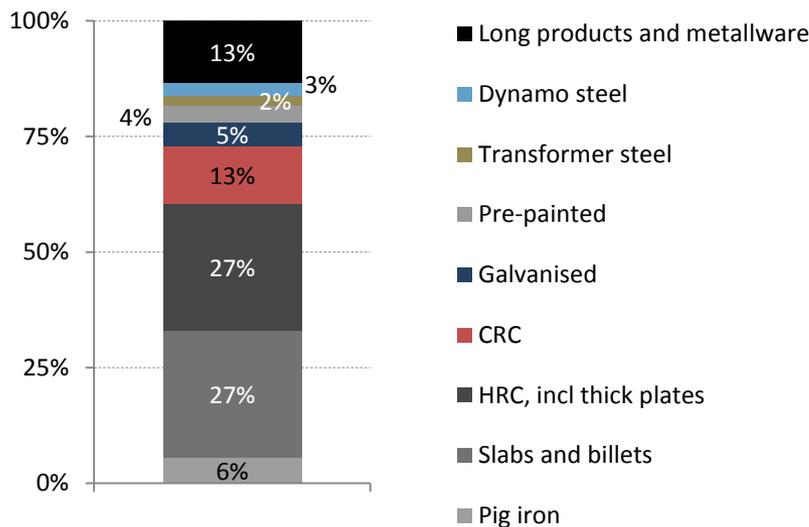
## OUTLOOK

- In Q2 2011 domestic market sales are expected to grow
- Improvement in average selling prices

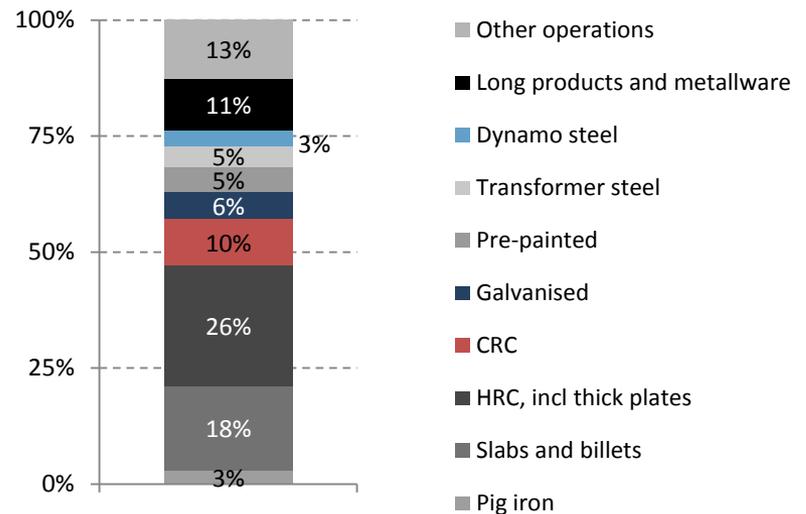
## SALES AND REVENUE BY REGIONS Q1 2011



## SALES BY PRODUCTS Q1 2011



## REVENUE BY PRODUCT Q1 2011



# KEY DRIVERS

## STEEL PRICES GROWTH (+11% Q-O-Q)

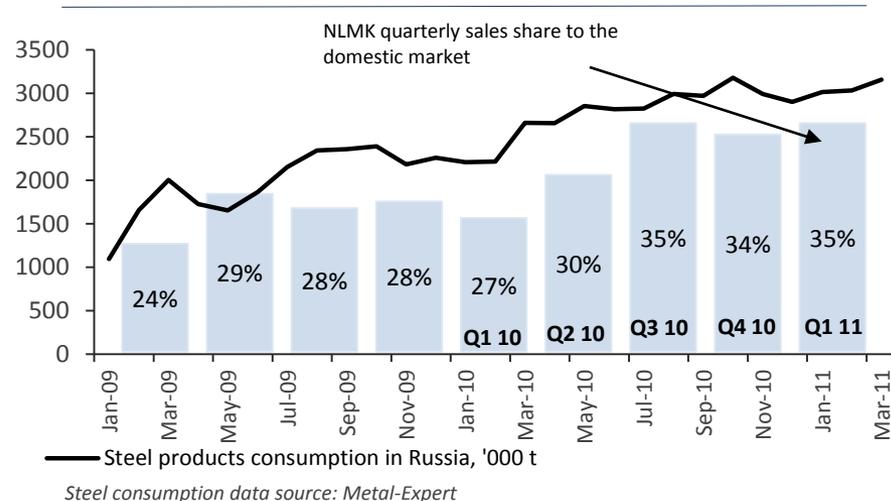
- Driven by improvement in market environment and seasonal demand recovery
- Cost push dynamics in the global steel market on the back of the rising raw materials prices

## SALES STRUCTURE IMPROVEMENT

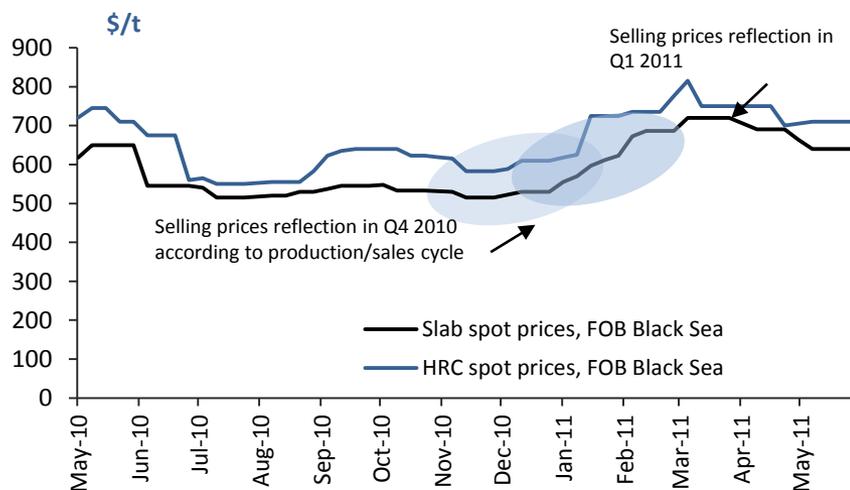
- HVA products share growth

## EFFICIENT CONTROL UNDER PRODUCTION COSTS

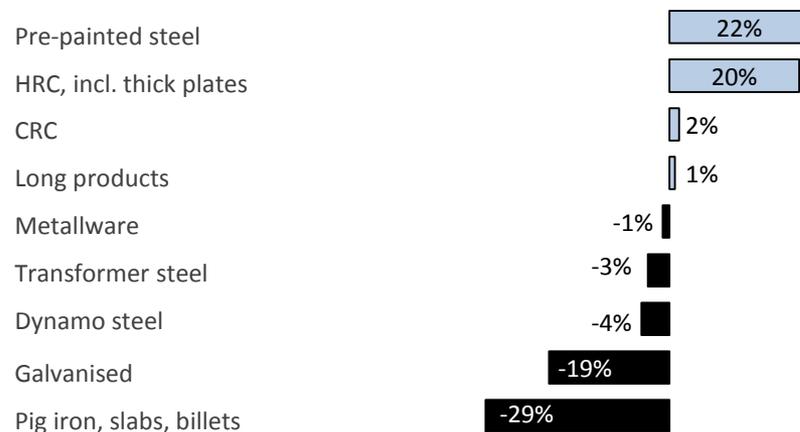
## DOMESTIC MARKET SALES



## AVERAGE SELLING PRICES



## CHANGE IN SALES VOLUME\*



# PRODUCTION COSTS

## STEEL PRODUCTION COSTS INCREASE AMID GROWTH OF

### GLOBAL PRICES ON:

- Scrap (+24% q-o-q)
- Coking coal (+5% q-o-q)
- Pellets (+20% q-o-q)

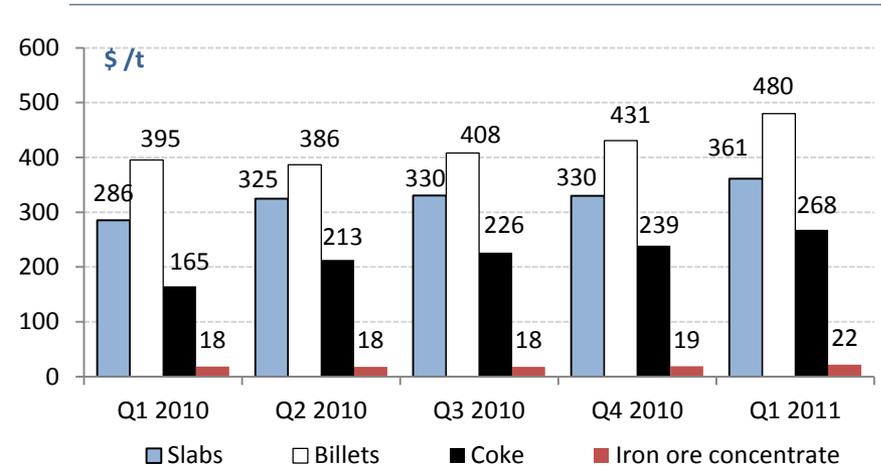
### ONE-OFF FACTORS

- Growth in tariffs for the services of natural monopolies
- RUB strengthening accounts for over 50% of production cost increase

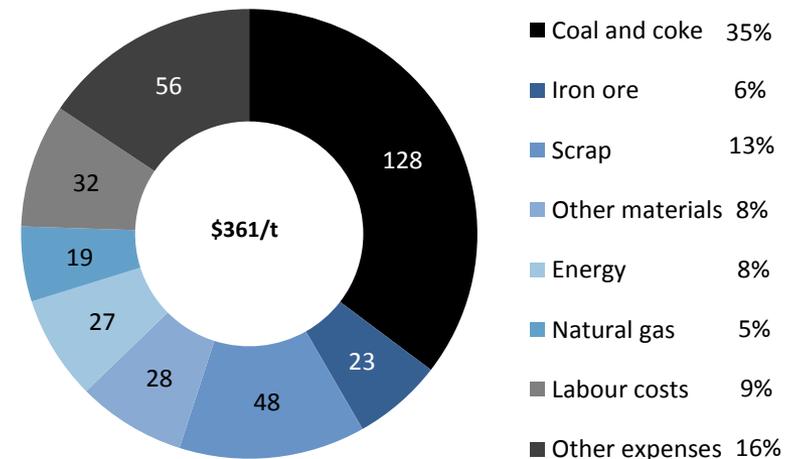
### OUTLOOK

- The increase of production costs to be compensated by average selling prices growth and effect of delay in raw material prices recognition in production costs

## CASH COSTS OF PRODUCTS



## SLAB CASH COST, Q1 2011



# DEBT POSITION

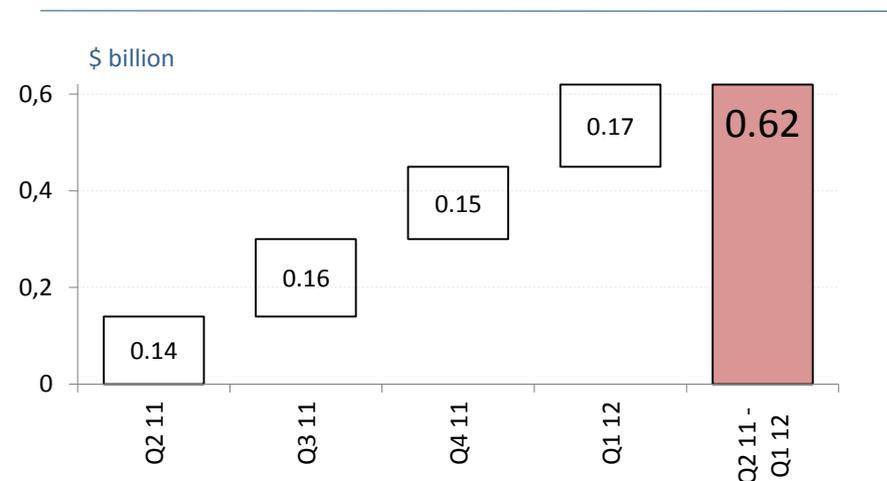
## TOTAL DEBT \$2.63 BILLION:

- ST debt \$0.55 billion
- LT debt \$2.07 billion
  - 3 RUB bond issues
  - EBRD loan
  - LT part of PXF

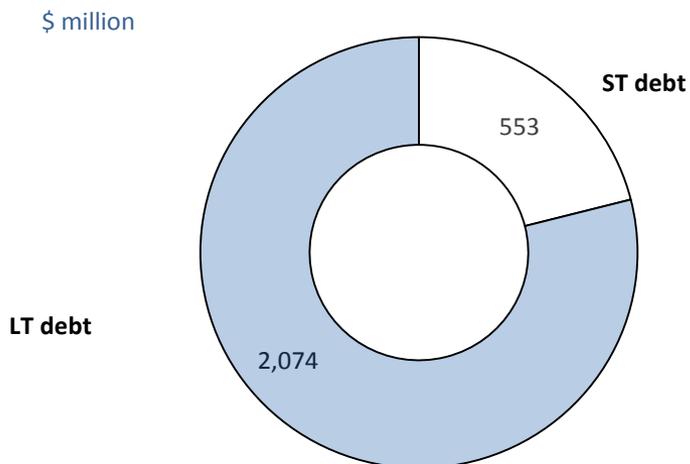
## \$1.24 BILLION OF LIQUID FUNDS<sup>2</sup>

## NET DEBT/ LTM EBITDA 0.54

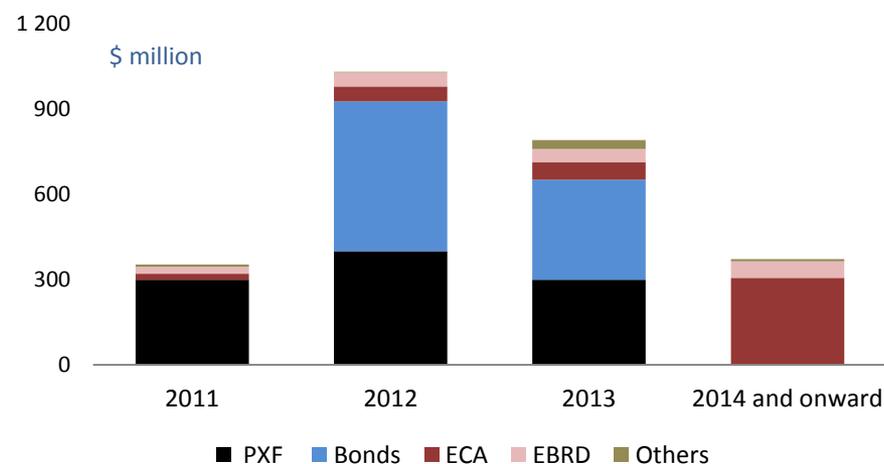
## SHORT TERM DEBT PAYMENT<sup>1</sup>



## DEBT STRUCTURE



## DEBT MATURITY



1. Management data, incl. interest payments, can be different from consolidated financial statements

2. Cash and cash equivalents + ST financial investments

# INVESTMENTS

## CRUDE STEEL CAPACITY GROWTH

- 40% increase in capacity to 17.4 m t per annum (2012)
- Quality improvement +30 new grades of steel

## INCREASE IN FINISHED STEEL CAPACITY

- Rolling capacity growth
- HVA grades capacity increase
- Niche products quality improvement

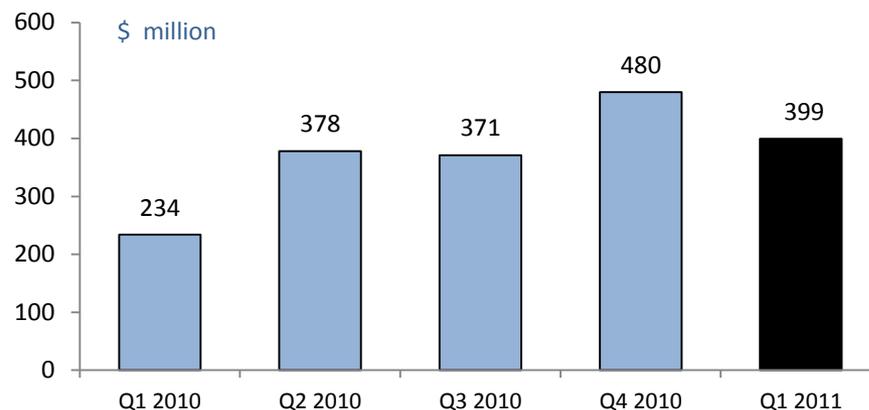
## MANAGEMENT OF VERTICAL INTEGRATION

- Expansion of the mine and construction of new enrichment facilities at Stoilensky (ongoing)
- Expansion of scrap collecting facilities
- Development of coal deposit

## INCREASE IN PRODUCTION EFFICIENCY

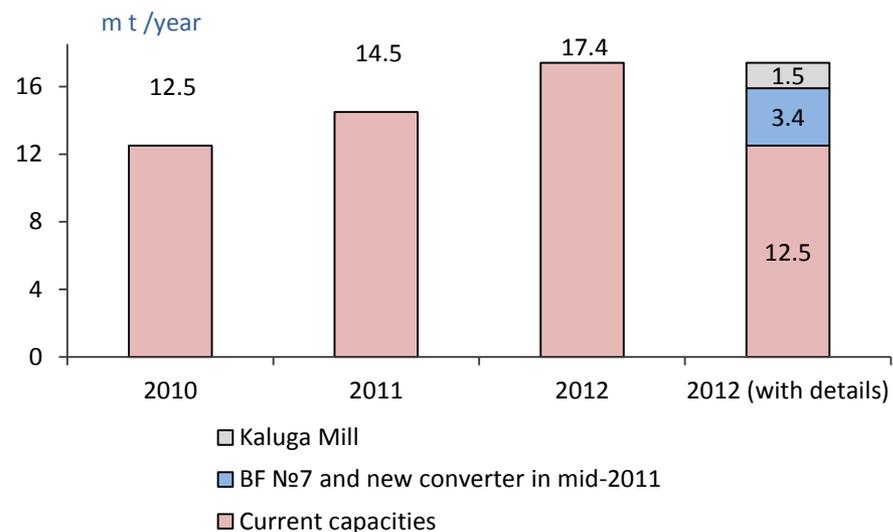
- Higher degree of electricity self-sufficiency and efficiency
- Resource efficient technologies

## INVESTMENTS DYNAMICS\*



\* Cash Flow Statement data: Purchases and construction of property, plant and equipment

## GROWTH OF STEEL PRODUCTION CAPACITIES



# Q1 2011 CASH FLOW BRIDGE

## CHANGE IN CASH

Effect of exchange rate changes

Dividends

## FREE CASH FLOW

Other financial operations<sup>3</sup>

Net borrowings

Acquisition and construction of PPE

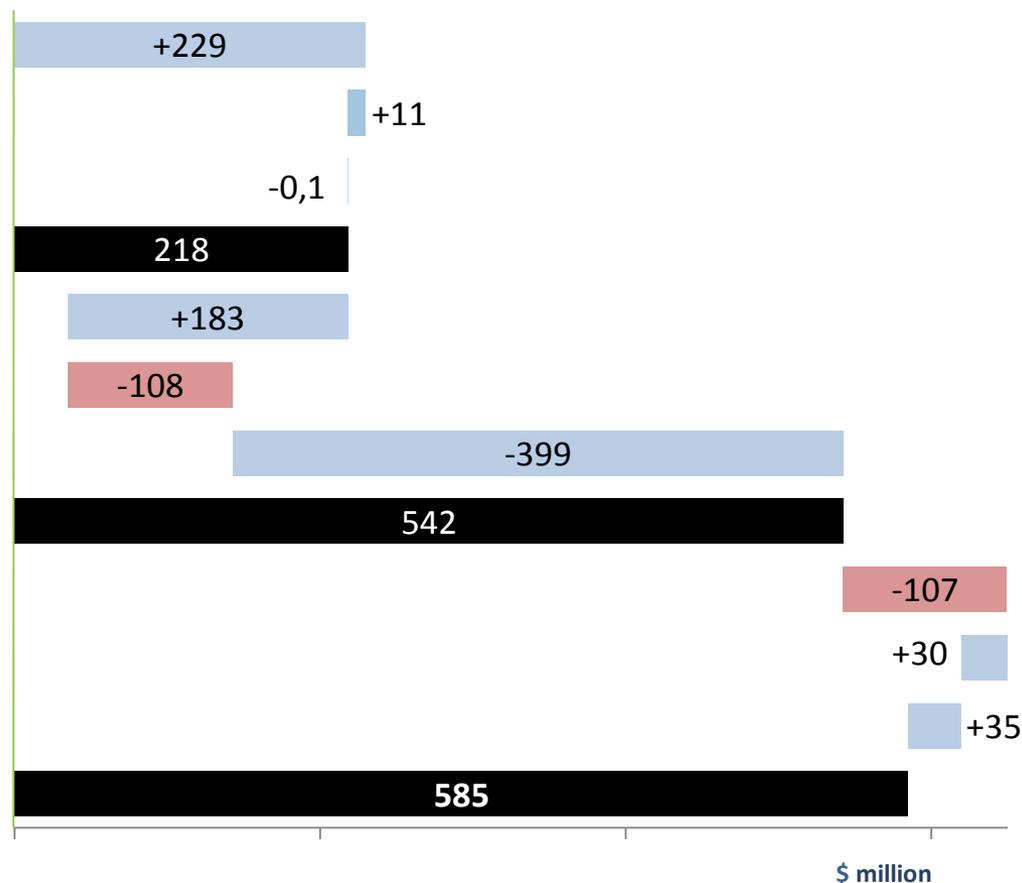
## CASH FLOW FROM OPERATIONS

Income tax

Other and non-cash operations<sup>2</sup>

Change in working capital

## EBITDA<sup>1</sup>



<sup>1</sup> EBITDA = Net income (after minorities) + income tax ± interest expense/(income) + depreciation ± losses/(gains) on disposals of property, plant and equipment and impairment losses ± losses/(gains) on financial investment ± losses/(gains) from disposal of subsidiaries + accretion expense on asset retirement obligations – gains on loan restructuring-(+)gains (losses) on discontinued operations + equity in net (earnings) / losses of associates –(+) net foreign currency exchange + settlement of agreement on the dispute and other extraordinary expenses.

<sup>2</sup> Non-cash transactions include corrections for coordinating net profit and net operating cash flow excluding depreciation & amortization, losses/(gains) on disposals of property, plant and equipment, accretion expense on asset retirement obligations, losses/(gains) on financial investment and losses/(gains) from discontinued operations

<sup>3</sup> Other financing activities include losses/(gains) on disposals of property, plant and equipment, gain from disposal of subsidiaries, acquisitions of stake in existing subsidiaries and settlement of abandoned acquisition and change in restricted cash funds as well as other financial corrections

# OUTLOOK

## NLMK GROUP Q2 2011 OUTLOOK

- Steel production will grow to ~ 3 m t
- Sales volume growth on 5-10%
- Further increase of HVA share in sales
- Working capital increase against growing volumes and prices growth
- EBITDA margin is expected to be at 25-30%
- Stabilization of steel prices on key target markets is expected

## FY 2011 OUTLOOK

- Steel production to grow by 10% due to growth in crude steel capacity
- Domestic market share growth against recovery of demand and rolling capacity increase
- Capex to exceed \$ 2 bn

# APPENDIX

## **INVESTMENT PROGRAM AND SEGMENTS RESULTS**

# BF PRODUCTION (2011)

## BLAST FURNACE

- Location: Lipetsk
- Capacity: 3.4 m t pa
- Goal: expand steel output at the main site

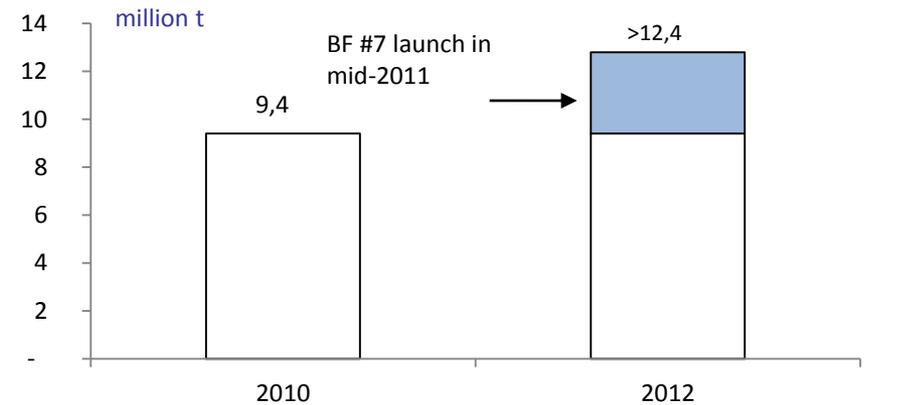
## CONSTRUCTION OF POWER PLANT

- Capacity: 150 MW
- Partially financed via EBRD loan
- Energy self-sufficiency\*: 56%

## PCI TECHNOLOGY INTEGRATION\*\*

- Over 90% of BF production to be equipped with PCI
- Launch date: 2012
- Total investments: about \$200 m
- Effect: coke and gas consumption in pig iron production reduced by >20% and >70% respectively

## PIG IRON PRODUCTION CAPACITY (LIPETSK)



\* Sufficiency rate based on increased steel capacity to 12.4 m tpa at Lipetsk site

\*\* Pulverized coal injection

# STEELMAKING (2011)

## NEW CONVERTER

- Launch date: 2011, Lipetsk site
- Goal: processing of BF# 7 pig iron output
- After launch of the new converter Novolipetsk total steelmaking capacities will be 12.4 m t pa

## LADLE FURNACES and VACUUM DEGASSER

- Capacity: 12.4 m t pa (or 100% of crude steel produced at the Lipetsk site will be processed)
- Goals:
  - Reduced impurity content, chemical & physical uniformity
  - ... new grades of steel, incl. for the automotive industry

## CONTINUOUS CASTING MASHINE #8

- Capacity: 2 mln t of slabs up to 350x2200 mm

## GAS EXHAUST DUCTS

- Location and installation date: Lipetsk site, 2009-2011
- Details: a secondary emissions collection and cleaning system at BOF shop#1 (40% of crude steel produced at the Lipetsk site)
- Goals:
  - Reduced environmental impact
  - Higher equipment reliability at BOF Shop #1
  - Potential use of waste gas for on-site power generation



# EXPANSION OF ROLLING CAPACITIES (2011)

## EXPANSION OF HRC PRODUCTION

- Location: Lipetsk site
- Upgrading of the existing Mill 2000
- Capacity growth: +400,000 tonnes by 2014

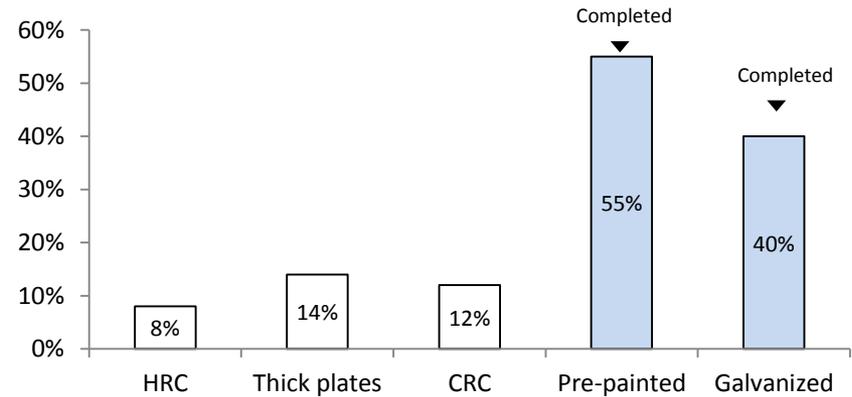
## EXPANSION OF PLATE PRODUCTION

- Location: DanSteel (Denmark)
- Upgrading of existing capacities
- Capacity growth: +70,000 tonnes

## CRC MILL

- Location: Lipetsk site
- New mill
- Capacity growth: +350,000 tonnes

## FLAT STEEL PRODUCTION GROWTH



# HIGH GRADE TRANSFORMER STEEL (2011-2012)

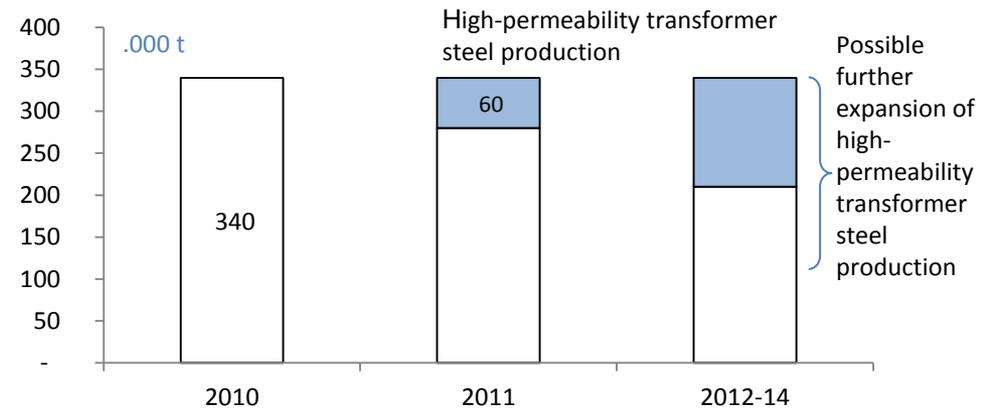
## PRODUCTION UPGRADES AT NOVOLIPETSK

- Status: 80% complete
- Capacity: about 60,000 t pa of high-permeability transformer steel
- Launch date: 2012
- Total investments: above \$300 m
- Improved quality and stronger market positions

## PRODUCTION UPGRADES AT VIZ-STAL

- Improved quality of products
- Capacity: 70,000 t pa of high-permeability transformer steel
- Launch date: end-2014 (expected)

## TRANSFORMER STEEL PRODUCTION CAPACITIES

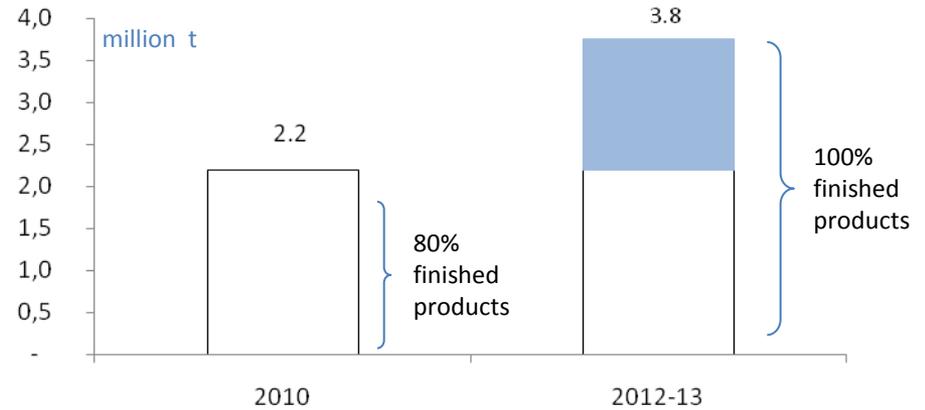


# LONG PRODUCTS (2012-13)

## KALUGA MINI-MILL (EAF)

- Location: Kaluga region
- Capacity: 1.55 m t pa
- Total investments: c. \$1.2 bn
- Extended product mix for construction
- Launch date: 2012 (1<sup>st</sup> stage)

## STEEL AND FINISHED PRODUCT CAPACITY



## ROLLING MILL IN BEREZOVSKY

- Capacity: 1 m t pa
- Total investments: c. \$140 m
- Goal: Processing capacity growth; Improved quality of products and stronger market positions
- Status: launched



# EXPANSION OF IRON ORE PRODUCTION (2011)

## OPEN PIT EXPANSION

- Location: Stoilensky (Stary Oskol)
- +30% growth in iron ore raw extraction
- Goal: maintain 100% self-sufficiency in low cost iron ore

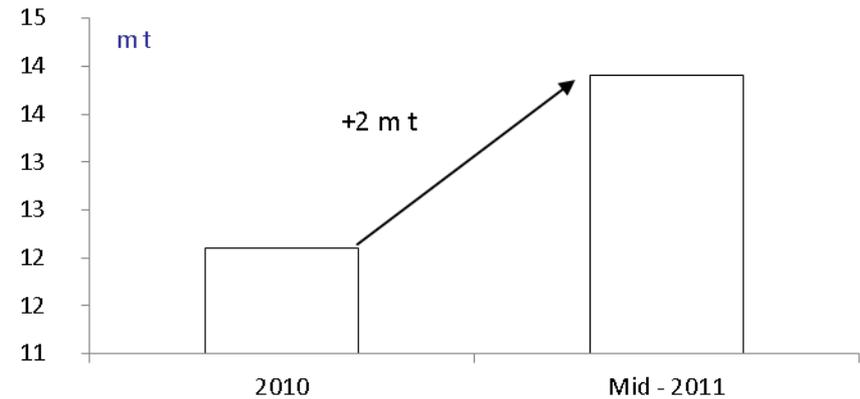
## PELLETIZING PLANT

- Location: Stoilensky (Stary Oskol)
- Capacity: +6 m t pa (since 2014)
- Goal: maintain 100% self-sufficiency in low cost iron ore

## BENEFICIATION PLANT, 4<sup>th</sup> SECTION

- Location: Stoilensky (Stary Oskol)
- Capacity: +4 m t pa (since 2006)
- Goal: maintain 100% self-sufficiency in low cost iron ore

## IRON ORE CONCENTRATE PRODUCTION CAPACITIES



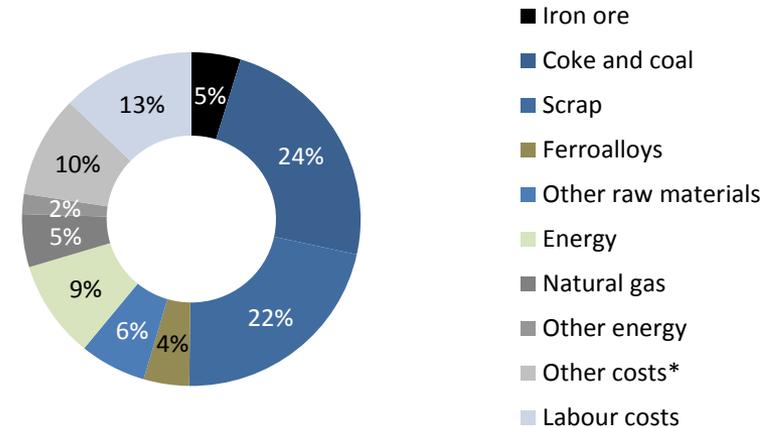
# SEGMENTAL PERFORMANCE

## STEEL SEGMENT DROVE GROUP FINANCIALS IN Q1 2011

- Revenue from third parties \$2,009 mln (85% of consolidated revenue)
- Operating profit \$224 mln (48% of the Group operating profit)

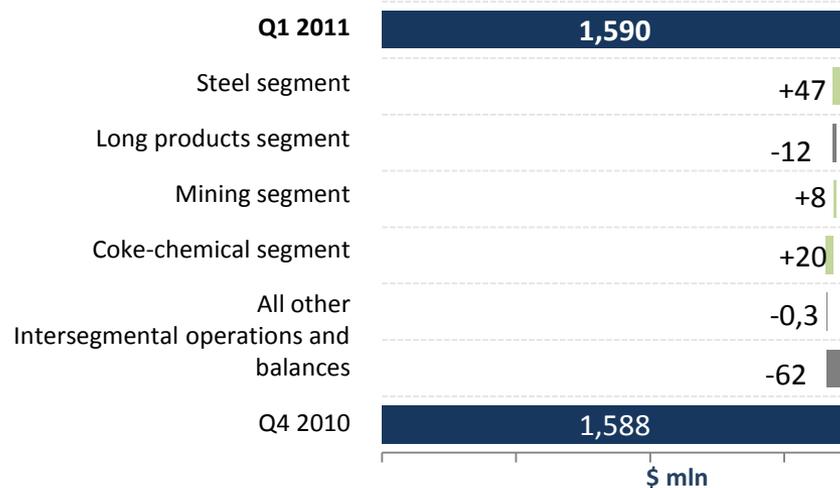
## Q1 2011 OPERATING PROFIT INCREASE IS DUE TO SALES REVENUE GROWTH

## CONSOLIDATED PRODUCTION COST, Q1 2011

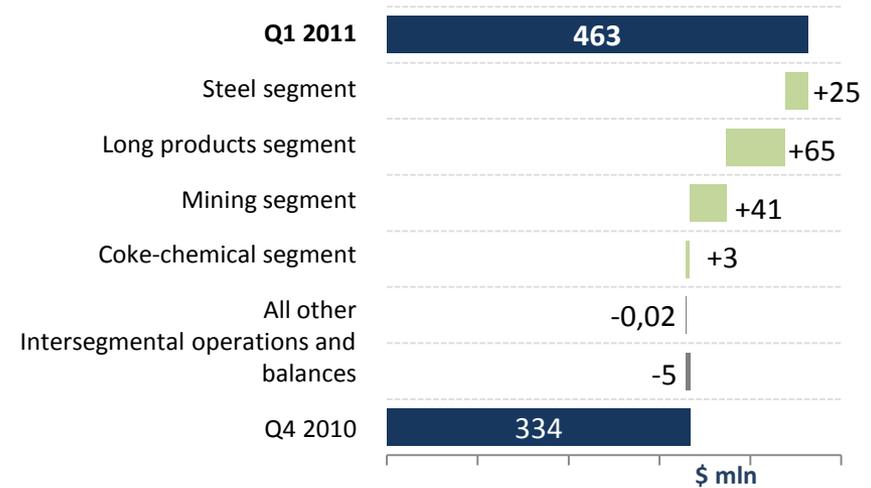


\* incl : repairs, change in inventories and other expenses

## COST OF SALES CHANGES



## OPERATING PROFIT CHANGES



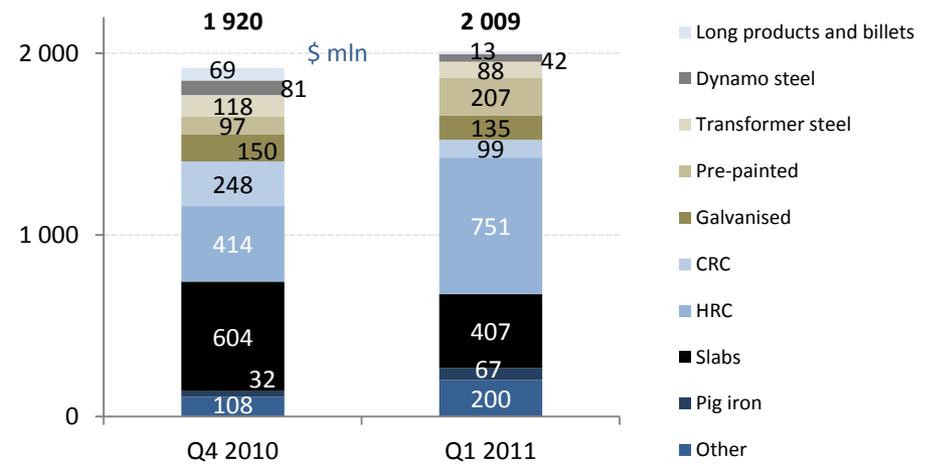
# STEEL SEGMENT

**INSIGNIFICANT SEASONAL CRUDE STEEL PRODUCTION DECREASE**

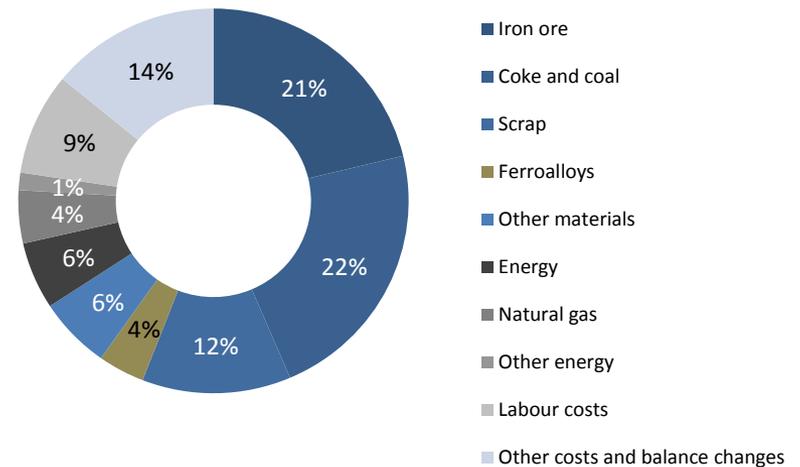
**OPERATING PROFIT MARGIN INCREASE**

**POSITIVE EXPECTATIONS FOR Q2 2011 ON OPERATING INDICATORS**

**SALES REVENUE FROM 3<sup>rd</sup> PARTIES BY PRODUCT**



**STEEL SEGMENT PRODUCTION COSTS, Q1 2011**



('000 tonnes)	Q1 2011	Q4 2010	Change	Q1 2011	Q1 2010	Change
Steel production	2 458	2 497	(2%)	2 458	2 462	(0%)
Steel sales <sup>1</sup>	2 416	2 688	(10%)	2 416	2 501	(3%)
(\$ mln)						
Revenue	2 058	1 965	5%	2 058	1 493	38%
<i>Incl. external customers</i>	2 009	1 920	5%	2 009	1 472	36%
Cost of sales	(1 615)	(1 568)	3%	(1 615)	(1 084)	49%
Operating profit	224	199	12%	224	208	7%
- margin	11%	10%		11%	14%	

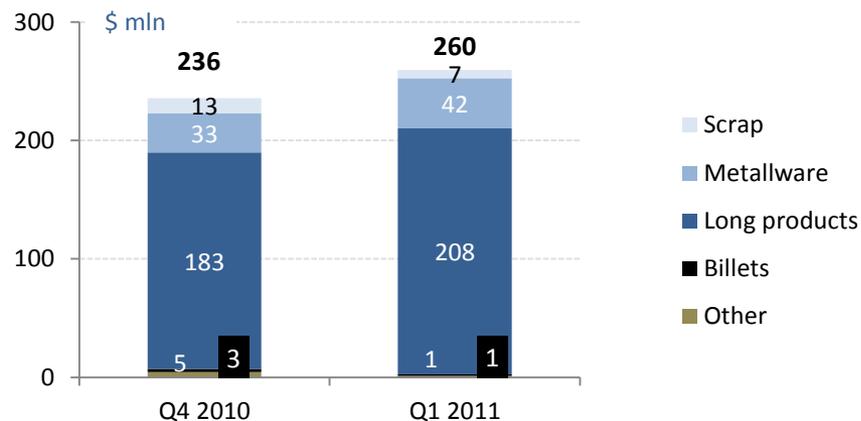
1. Incl. sales of other segment's products by traders of steel segment

# LONG PRODUCTS SEGMENT

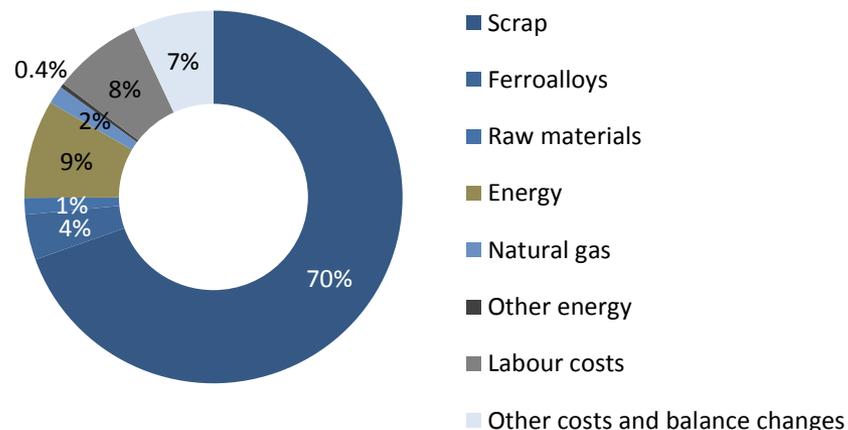
SEGMENT'S REVENUE INCREASING DUE TO CONSTRUCTION SECTOR DEMAND IMPROVEMENT

PROFIT-MAKING QUARTER IN COMPARISON WITH LOSS-MAKING PREVIOUS QUARTERS

SALES REVENUE FROM 3<sup>rd</sup> PARTIES BY PRODUCT



LONG PRODUCTS PRODUCTION COSTS, Q1 2011



('000 tonnes)	Q1 2011	Q4 2010	Change	Q1 2011	Q1 2010	Change
Steel production	<b>448</b>	492	(9%)	<b>448</b>	254	77%
Steel sales	<b>432</b>	441	(2%)	<b>432</b>	314	38%
in NLMK Group <sup>1</sup>	<b>81</b>	109	(25%)	<b>81</b>	38	113%
(\$ mln)						
Revenue	<b>371</b>	376	(1%)	<b>371</b>	224	65%
Incl. external customers	<b>260</b>	236	10%	<b>260</b>	162	60%
Cost of sales	<b>(310)</b>	(322)	(4%)	<b>(310)</b>	(211)	47%
Operating profit/(loss)	<b>7</b>	(59)		<b>7</b>	(24)	
- margin	<b>2%</b>	-16%		<b>2%</b>	-11%	

1. Incl. sales of other segment's products by traders of steel segment

# MINING SEGMENT

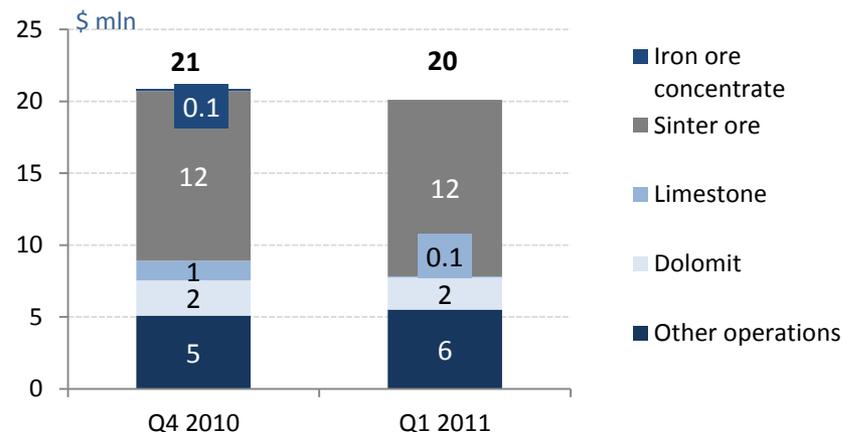
## SEASONAL DECREASE OF PRODUCTION AND SALES

## IMPROVING SEGMENT'S FINANCIAL INDICATORS DUE TO IRON ORE PRICES RISE

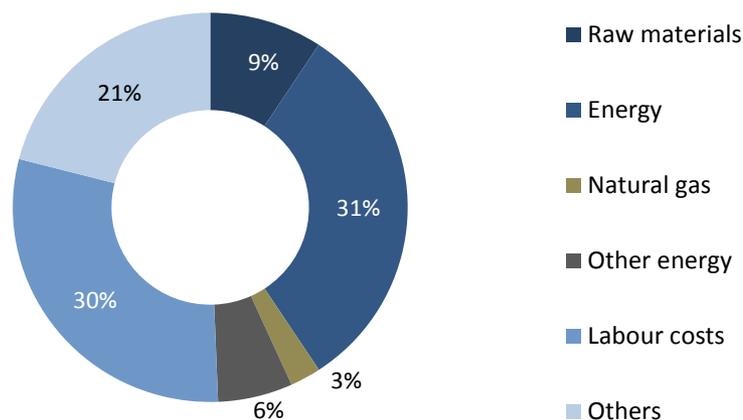
**67% - OPERATING PROFIT MARGIN**

('000 tonnes)	Q1 2011	Q4 2010	Change	Q1 2011	Q1 2010	Change
<b>Production</b>						
iron ore concentrate	2 933	3 103	(5%)	2 933	2 899	1%
sinter ore	413	464	(11%)	413	436	(5%)
<b>Sales</b>						
iron ore concentrate	2 883	3 046	(5%)	2 883	2 935	(2%)
<i>in NLMK Group<sup>1</sup></i>	2 883	3 045	(5%)	2 883	2 935	(2%)
sinter ore	414	459	(10%)	414	383	8%
<b>(\$ mln)</b>						
Revenue	294	247	19%	294	153	93%
<i>Incl. external customers</i>	20	21	(4%)	20	13	56%
Cost of sales	(84)	(76)	11%	(84)	(77)	10%
Operating profit	196	156	26%	196	62	215%
- margin	67%	63%		67%	41%	

## SALES REVENUE FROM 3<sup>rd</sup> PARTIES BY PRODUCT



## MINING SEGMENT PRODUCTION COSTS, Q1 2011



1. Incl. sales of other segment's products by traders of steel segment

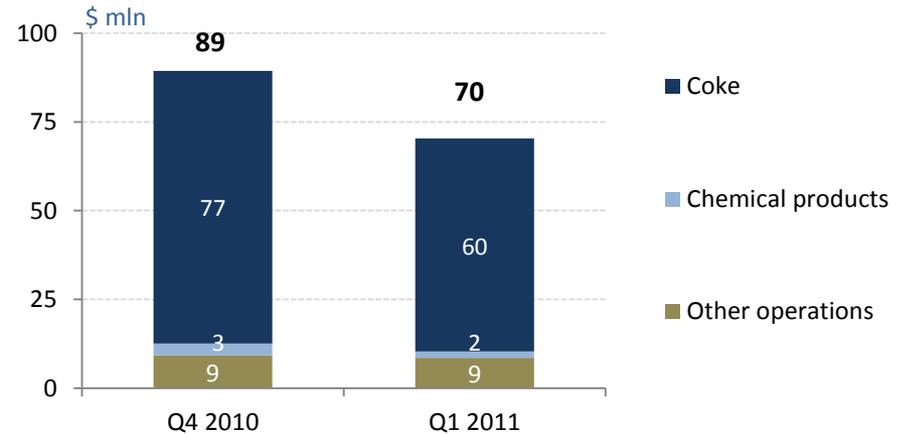
# COKE-CHEMICAL SEGMENT

## STABLE PRODUCTION AND SALES VOLUMES

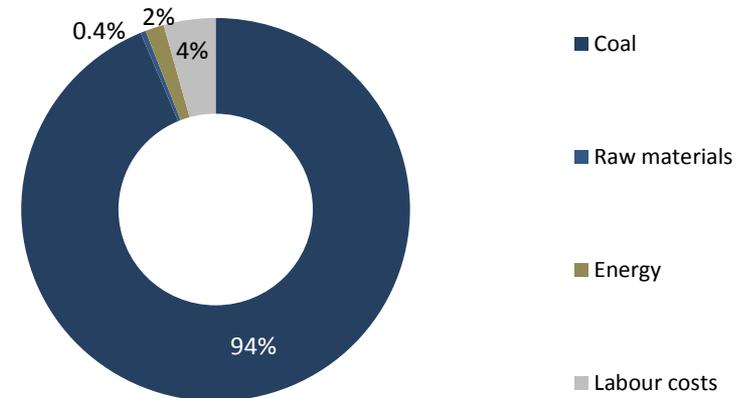
## COKE AND COKING COAL INCREASING PRICES

## OPERATING PROFIT MARGIN - 17%

## SALES REVENUE FROM 3<sup>rd</sup> PARTIES BY PRODUCT



## COKE-CHEMICAL PRODUCTION COSTS, Q1 2011



('000 tonnes)	Q1 2011	Q4 2010	Change	Q1 2011	Q1 2010	Change
<b>Production</b>						
coke 6% moisture	901	938	(4)%	901	874	3%
<b>Sales</b>						
dry coke	848	866	(2)%	848	841	1%
<i>In NLMK Group<sup>1</sup></i>	679	629	8%	679	670	1%
<b>(\$ mln)</b>						
Revenue	307	281	9%	307	194	58%
<i>Incl. external customers</i>	70	89	(21)%	70	50	40%
Cost of sales	(235)	(215)	9%	(235)	(156)	51%
Operating profit	53	49	7%	53	26	101%
- margin	17%	18%		17%	14%	

1. Incl. sales of other segment's products by traders of steel segment

# SEGMENTAL INFORMATION

Q1 2011								
(million USD)	Steel	Long products	Mining	Coke-chemical	All other	Totals	Intersegmental operations and balances	Consolidated
Revenue from external customers	2 009	260	20	70		2 359		2 359
Intersegment revenue	49	111	274	237		671	(671)	
Gross profit	442	61	210	72	(0)	785	(16)	769
Operating income/(loss)	224	7	196	53	(0)	480	(16)	463
<i>as % of net sales</i>	11%	2%	67%	17%		16%		20%
Income / (loss) from continuing operations before minority interest	238	(57)	161	40	0	383	(17)	365
<i>as % of net sales</i>	12%	(15%)	55%	13%		13%		15%
Segment assets including goodwill <sup>1</sup>	13 619	2 450	1 460	914	54	18 497	(3 347)	15 150

Q4 2010								
(million USD)	Steel	Long products	Mining	Coke-chemical	All other	Totals	Intersegmental operations and balances	Consolidated
Revenue from external customers	1 920	236	21	89	0	2 266		2 266
Intersegment revenue	45	140	226	192	(0)	604	(604)	
Gross profit	398	54	171	66	(0)	689	(11)	678
Operating income/(loss)	199	(59)	156	49	(0)	346	(11)	334
<i>as % of net sales</i>	10%	(16%)	63%	18%		12%		15%
Income / (loss) from continuing operations before minority interest	355	(114)	120	39	0	400	(169)	231
<i>as % of net sales</i>	18%	(30%)	48%	14%		14%		10%
Segment assets including goodwill <sup>2</sup>	12 433	2 276	1 195	824	43	16 772	(2 873)	13 899

<sup>1</sup> as at 31.03.2011

<sup>2</sup> as at 31.12.2010

# CONSOLIDATED STATEMENT OF INCOME

<i>(mln USD)</i>	Q1 2011	Q4 2010*	Q1 2011/Q4 2010		Q1 2011	Q1 2010	Q1 2011/Q1 2010	
			+ / -	%			+ / -	%
Sales revenue	2 359	2 266	93	4%	2 359	1 697	661	39%
Production cost	(1 466)	(1 476)	10	(1%)	(1 466)	(1 050)	(415)	40%
Depreciation and amortization	(124)	(112)	(12)	10%	(124)	(123)	(1)	1%
<b>Gross profit</b>	<b>769</b>	<b>678</b>	<b>91</b>	<b>13%</b>	<b>769</b>	<b>524</b>	<b>245</b>	<b>47%</b>
General and administrative expenses	(85)	(61)	(25)	41%	(85)	(66)	(19)	28%
Selling expenses	(186)	(192)	5	(3%)	(186)	(161)	(25)	16%
Taxes other than income tax	(34)	(33)	(1)	2%	(34)	(32)	(2)	8%
Impairment losses		(58)	58					0%
<b>Operating income</b>	<b>463</b>	<b>334</b>	<b>129</b>	<b>39%</b>	<b>463</b>	<b>264</b>	<b>199</b>	<b>75%</b>
Gain / (loss) on disposals of property, plant and equipment	(6)	8	(14)		(6)	(2)	(4)	204%
Gains / (losses) on investments	(3)	(18)	14		(3)	(1)	(2)	154%
Interest income	9	11	(1)	(12%)	9	11	(2)	(17%)
Interest expense		8	(8)	0%		(8)	8	0%
Foreign currency exchange loss, net	23	(6)	29		23	(53)	76	
Other expense, net	(14)	(18)	4	(21%)	(14)	(25)	11	
<b>Income from continuing operations before income tax</b>	<b>473</b>	<b>320</b>	<b>153</b>	<b>48%</b>	<b>473</b>	<b>187</b>	<b>286</b>	<b>153%</b>
Income tax	(107)	(89)	(18)	20%	(107)	(52)	(55)	106%
Equity in net earnings/(losses) of associate	15	(88)	104		15	(27)	42	
<b>Net income</b>	<b>381</b>	<b>142</b>	<b>239</b>	<b>168%</b>	<b>381</b>	<b>108</b>	<b>273</b>	<b>253%</b>
Less: Net loss / (income) attributable to the non-controlling interest	11	6	5	81%	11	24	(12)	(51%)
<b>Net (loss) / income attributable to OJSC Novolipetsk Steel stockholders</b>	<b>392</b>	<b>149</b>	<b>244</b>	<b>164%</b>	<b>392</b>	<b>132</b>	<b>261</b>	<b>198%</b>
<b>EBITDA</b>	<b>585</b>	<b>493</b>	<b>92</b>	<b>19%</b>	<b>585</b>	<b>386</b>	<b>199</b>	<b>51%</b>

\* Q1 2011, Q1 2010, are official reporting periods. Q4 2010 figures are derived by computational method. This assumption is related to calculation of segmental financial results.

# CONSOLIDATED BALANCE SHEET

	as at 31.03.2011	as at 31.12.2010	as at 30.09.2010	as at 30.06.2010	as at 31.03.2010	as at 31.12.2009	as at 31.12.2008
(mln. USD)							
<b>ASSETS</b>							
<b>Current assets</b>	<b>4 438</b>	<b>4 105</b>	<b>4 372</b>	<b>4 150</b>	<b>4 091</b>	<b>3 877</b>	<b>5 346</b>
Cash and cash equivalents	977	748	780	953	1 157	1 247	2 160
Short-term investments	265	423	726	465	424	452	8
Accounts receivable, net	1 295	1 260	1 189	1 213	1 065	913	1 488
Inventories, net	1 784	1 580	1 564	1 401	1 324	1 134	1 556
Deferred income tax assets	51	43	52	58	59	72	
Other current assets, net	65	52	62	59	62	58	100
Current assets, held for sale							34
<b>Non-current assets</b>	<b>10 713</b>	<b>9 794</b>	<b>9 508</b>	<b>8 713</b>	<b>8 938</b>	<b>8 625</b>	<b>8 718</b>
Long-term investments, net	728	688	729	387	402	468	816
Property, plant and equipment, net	9 223	8 382	7 987	7 532	7 688	7 316	6 826
Intangible assets	181	181	187	190	201	203	235
Goodwill	528	495	554	541	572	557	614
Other non-current assets, net	25	26	20	41	49	68	34
Deferred income tax assets	28	21	31	23	26	12	
Non-current assets, held for sale							194
<b>Total assets</b>	<b>15 150</b>	<b>13 899</b>	<b>13 880</b>	<b>12 863</b>	<b>13 029</b>	<b>12 502</b>	<b>14 065</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>							
<b>Current liabilities</b>	<b>1 831</b>	<b>1 652</b>	<b>1 802</b>	<b>1 640</b>	<b>2 581</b>	<b>1 417</b>	<b>2 980</b>
Accounts payable and other liabilities	1 252	1 107	1 171	1 058	963	841	1 879
Short-term borrowings	553	526	595	539	544	557	1 080
Current income tax liability	26	19	36	43	26	19	10
Current liabilities, held for sale							11
<b>Non-current liabilities</b>	<b>2 718</b>	<b>2 693</b>	<b>2 636</b>	<b>2 427</b>	<b>2 581</b>	<b>2 475</b>	<b>2 361</b>
Long-term borrowings	2 074	2 099	2 059	1 828	1 992	1 939	1 930
Deferred income tax liability	450	401	384	392	409	396	297
Other long-term liabilities	194	194	194	207	180	140	129
Non-current liabilities, held for sale							5
<b>Total liabilities</b>	<b>4 549</b>	<b>4 345</b>	<b>4 438</b>	<b>4 067</b>	<b>4 114</b>	<b>3 892</b>	<b>5 341</b>
<b>Stockholders' equity</b>							
Common stock	221	221	221	221	221	221	221
Statutory reserve	10	10	10	10	10	10	10
Additional paid-in capital	99	99	99	99	112	112	52
Other comprehensive income	(241)	(917)	(886)	(1 134)	(596)	(797)	(550)
Retained earnings	10 654	10 261	10 113	9 718	9 303	9 171	8 956
<b>NLMK stockholders' equity</b>	<b>10 742</b>	<b>9 675</b>	<b>9 556</b>	<b>8 915</b>	<b>9 050</b>	<b>8 718</b>	<b>8 690</b>
<b>Non-controlling interest</b>	<b>(141)</b>	<b>(121)</b>	<b>(115)</b>	<b>(118)</b>	<b>(136)</b>	<b>(108)</b>	<b>33</b>
<b>Total stockholders' equity</b>	<b>10 601</b>	<b>9 554</b>	<b>9 442</b>	<b>8 796</b>	<b>8 915</b>	<b>8 610</b>	<b>8 723</b>
<b>Total liabilities and stockholders' equity</b>	<b>15 150</b>	<b>13 899</b>	<b>13 880</b>	<b>12 863</b>	<b>13 029</b>	<b>12 502</b>	<b>14 065</b>

# CONSOLIDATED CASH FLOW STATEMENT

<i>(mln. USD)</i>	Q1 2011	Q4 2010*	Q1 2011/Q4 2010		Q1 2011	Q1 2010	Q1 2011/Q1 2010	
			+ / -	%			+ / -	%
<b>Cash flow from operating activities</b>								
<b>Net income</b>	381	142	239	168%	381	108	273	253%
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>								
Depreciation and amortization	124	112	12	10%	124	123	1	1%
Loss on disposals of property, plant and equipment	6	(8)	14		6	2	4	204%
(Gain)/loss on investments	3	18	(14)	(81%)	3	1	2	154%
Equity in net earnings of associate	(15)	88	(104)		(15)	27	(42)	
Defferd income tax (benefit)/expense	11	6	5	91%	11	8	3	41%
Loss / (income) on forward contracts	(8)	(1)	(7)	663%	(8)	(4)	(3)	71%
Loss of impairment		58	(58)					
Other movements	5	90	(85)	(95%)	5	14	(9)	(65%)
<b>Changes in operating assets and liabilities</b>								
Increase in accounts receivables	54	(72)	126		54	(122)	176	
Increase in inventories	(88)	(20)	(68)	345%	(88)	(154)	66	(43%)
Decrease/(increase) in other current assets	(9)	10	(18)		(9)	(2)	(7)	402%
Increase in accounts payable and other liabilities	71	19	52	277%	71	95	(24)	(25%)
Increase/(decrease) in current income tax payable	6	(17)	23		6	6	(0)	(2%)
<b>Net cash provided from operating activities</b>	542	424	118	28%	542	103	440	428%
<b>Cash flow from investing activities</b>								
Proceeds from sale of property, plant and equipment	5	12	(6)	(55%)	5	3	2	71%
Purchases and construction of property, plant and equipment	(399)	(480)	80	(17%)	(399)	(234)	(165)	70%
Proceeds from sale of investments	429	303	126	42%	429	12	417	
Placement of bank deposits and purchases of other investments	(251)	(102)	(149)	147%	(251)	(8)	(243)	
Acquisition of new subsidiaries		(28)	28					
<b>Net cash used in investing activities</b>	(216)	(296)	80	(27%)	(216)	(227)	11	(5%)
<b>Cash flow from financing activities</b>								
Proceeds from borrowings and notes payable	15	114	(100)	(87%)	15	482	(467)	(97%)
Repayments of borrowings and notes payable	(123)	(128)	6	(4%)	(123)	(460)	338	(73%)
Capital lease payments		(10)	10			(17)	17	(100%)
Dividends to shareholders	(0)	(122)	121	(100%)	(0)	(0)	(0)	
<b>Net cash used in financing activities</b>	(108)	(145)	37	(26%)	(108)	5	(113)	
<b>Net increase / (decrease) in cash and cash equivalents</b>	218	(16)	235		218	(120)	338	
<i>Effect of exchange rate changes on cash and cash equivalents</i>	11	(15)	27		11	30	(19)	(62%)
<i>Cash and cash equivalents at the beginning of the period</i>	748	780	(32)	(4%)	748	1 247	(499)	(40%)
<b>Cash and cash equivalents at the end of the period</b>	977	748	229	31%	977	1 157	(180)	(16%)

\* Q1 2011, Q1 2010, are official reporting periods. Q4 2010 figures are derived by computational method. This assumption is related to calculation of segmental financial results.

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