



## Press Release

06 May 2010

### NLMK Group Q1 2010 RAS Financial Results

Novolipetsk Steel (LSE: NLMK), today announces its Q1 2010 Russian Accounting Standards (RAS) financial results for its major companies<sup>1</sup>.

**Note:** Russian Accounting Standards (RAS) accounting results differ materially from US GAAP accounting 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 June 2010.

#### Q1 2010 RAS Financial Results for NLMK Group (‘000 RUR, except for percentages)

##### Novolipetsk (Main Production Site)

				Change, %	
	Q1 2010	Q4 2009	Q1 2009	Q1 2010/ Q4 2009	Q1 2010/ Q1 09
Revenue	35 256 816	39 557 344	25 714 204	-10.87%	37.11%
Gross profit	9 973 386	13 591 044	3 968 126	- 26.62%	151.34%
Operating profit	5 087 636	8 816 820	400 668	- 42.30%	13 times
Net profit	2 659 440	-4 014 454	138 858	-	19 times

<sup>1</sup> NLMK (Main production site in Lipetsk), VIZ-Stal, Stoilensky, NSMMZ (a part of Long steel division) Altai-Koks, NTK

**VIZ-Stal**

	Q1 2010	Q4 2009	Q1 2009	Change, %	
				Q1 2010/ Q4 2009	Q1 2010/ Q1 09
Revenue	1 901 604	3 074 456	1 265 315	-38.15%	50.29%
Gross profit	775 195	1 619 258	736 186	-52.13%	5.30%
Operating profit	616 641	1 420 251	601 388	-56.58%	2.54%
Net profit	440 104	853 579	572 675	-48.44%	-23.15%

**Stoilensky**

	Q1 2010	Q4 2009	Q1 2009	Change, %	
				Q1 2010/ Q4 2009	Q1 2010/ Q1 09
Revenue	4 301 169	3 711 231	2 853 181	15.90%	50.75%
Gross profit	2 349 150	1 884 453	1 292 689	24.66%	81.73%
Operating profit	2 105 959	1 540 674	1 092 919	36.69%	92.69%
Net profit	1 685 740	1 339 688	1 057 770	25.83%	59.37%

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

	Q1 2010	Q4 2009	Q1 2009	Change, %	
				Q1 2010/ Q4 2009	Q1 2010/ Q1 09
Revenue	4 137 353	4 518 050	4 183 491	-8.43%	-1.10%
Gross profit	233 510	388 533	527 129	-39.90%	-55.70%
Operating profit	-177 571	-345 115	39 678		
Net profit	-1 246 313	-5 359 101	-1 934 131		

<sup>2</sup> NSMMZ is the main asset of the Long Products Division.

**Altay-Koks**

	Q1 2010	Q4 2009	Q1 2009	Change, %	
				Q1 2010/ Q4 2009	Q1 2010/ Q1 09
Revenue	5 796 053	5 036 158	2 749 465	15.09%	110.81%
Gross profit	1 249 070	1 405 551	-534 618	-11.13%	
Operating profit	944 541	1 185 837	-777 786	-20.35%	
Net profit	730 110	985 461	527 794	-25.91%	38.33%

**NTK (Transportation Company)**

	Q1 2010	Q4 2009	Q1 2009	Change, %	
				Q1 2010/ Q4 2009	Q1 2010/ Q1 09
Revenue	1 661 036	1 516 845	851 155	9.51%	95.15%
Gross profit	175 834	179 782	101 134	-2.20%	73.86%
Operating profit	144 024	105 486	44 382	36.53%	224.51%
Net profit	105 881	68 209	42 334	55.23%	150.11%

## **Key Results**

- **Lipetsk production site substantial financial performance improvement year-on-year**

The Company's performance improved substantially year-on-year. Improvement in both export and domestic sales coupled with a rise in steel prices resulted in a 37% revenue increase year-on-year and a 2.5-fold gross profit increase year-on-year.

On a quarter-on-quarter basis, reduced sales volumes resulting from a seasonal decline in demand, particularly for semi-finished products and colour-coated steel, were the primary source for the Company's revenue decrease in Q1 2010 by 11%. The reduction of average sales prices, which were mainly attributable to a seasonal decline in demand, has also negatively affected the Company's revenue.

Growing raw material prices, as well as increasing tariffs for the services of natural monopolies, put additional pressure on the Company's gross profit in Q1 2010.

However, we expect this to improve in Q2 following a seasonal pick-up of activity in the steel market and an ongoing recovery of steel prices. Growing demand for HVA flat-rolled steel will provide an additional driver for financial and operating performance in Q2 2010.

In Q1 2010 net profit totaled RUR2,659 million, compared to a RUR4,014 million loss in Q4 2009. Net profit growth is mainly attributable to there being no significant allowance for the devaluation of financial investments and bad debt.

- **VIZ-Stal revenue year-on-year growth**

Sales volumes increased 2.5-fold year-on-year leading to a 50% revenue growth. The less significant increases in gross profit and operating profit were primarily attributable to growing prices for hot-rolled steel, the key raw material for the manufacture of transformer steel.

VIZ-Stal saw weaker financial performance quarter-on-quarter, largely because of a 31% drop in sales. This decline is mostly of technical nature and is associated with FOB-based rolled product deliveries resulting in a delayed recognition of March product deliveries. Average transformer steel prices were lower quarter-on-quarter, also contributing to a lower financial performance.

- **Stoilensky superior financial performance in Q1 2010**

The Company demonstrated substantial year-on-year improvement in financial performance. This was mainly due to a rise in iron ore prices: revenue grew by 51%, gross profit by 82% and operating profit by 93%.

In Q1 2010, revenue increased by 16% quarter-on-quarter, impacted by a rise in iron ore prices. Despite a growth in prices for the services of natural monopolies, the Company achieved a 25% quarter-on-quarter improvement in gross profit. In Q1 2010, operating profit grew by 37% quarter-on-quarter, driven, among other factors, by having no one-off expenses in administrative expenses.

- **NSMMZ (Long Steel Division asset) operating and net loss cuts**

Seasonal decline in demand for long products resulted in reduced export sales and a consequent Q1 2010 revenue decrease by 8% quarter-on-quarter. A rise in scrap prices negatively affected the Company's gross profit, resulting in a 3 p.p. margin contraction quarter-on-quarter. Reduced export sales led to decreasing commercial expenses and resultant sales losses.

In Q1 2010 the Company demonstrated a reduction in net loss compared to Q4 2009 when the creation of allowances for bad debts occurred.

- **Higher revenue for Altay-Koks in Q1 2010**

The pricing environment on the coking coal and coke market allows the Company to boost its third party sales, including to the export markets. In Q1 2010 revenue grew by 15% quarter-on-quarter and two-fold year-on-year.

Growing coking coal prices, as well as a rise in commercial expenses associated with export sales, negatively impacted the gross profit and operating profit, which fell by 11% and 20% respectively quarter-on-quarter.

The Company's reporting period performance is significantly higher year-on-year due to an improvement of conditions on the market of coke and coke-chemical products both in Russia and abroad.

- **NTK net profit up in Q1 2010**

Increased volumes of shipping done by NTK's own rolling stock, as well as railway tariff readjustment starting from January 2010 allowed the Company to increase its Q1 2010 revenue by 10% quarter-on-quarter.

The quarter-on-quarter increase in operating profit and net profit in the reporting period by 37% and 55% respectively is attributable to a decrease in administrative expenses, as well as to the optimization of the Company's rolling stock.

NTK's financial performance improved significantly year-on-year. This growth is attributable to increased volumes of shipping done by NTK's own rolling stock, railway tariff readjustment, as well as activities aimed at the minimization of empty mileage.

**NLMK**

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