



## NLMK Group Q4 and FY 2009 RAS Financial Results

Novolipetsk Steel (LSE: NLMK), today announces its Q4 and FY 2009 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 published on April 06, 2010.

### Q4 and FY 2009 RAS Financial Results for NLMK Group, (‘000 RUR, except for percentages)

#### Novolipetsk (Main Production Site)

	Q4 2009	Q3 2009	Q4 2009/Q3 2009	2009	2008	2009 / 2008
Revenue	39 557 344	36 618 151	8.03%	128 574 663	202 102 731	-36.38%
Gross profit	13 591 044	11 000 585	23.55%	34 231 646	86 995 564	-60.65%
Operating profit	8 816 820	6 570 719	34.18%	17 375 288	72 438 229	-76.01%
Net profit	-4 014 454	5 551 138	-172.32%	23 998 490	71 675 882	-66.52%

#### VIZ-Stal

	Q4 2009	Q3 2009	Q4 2009/Q3 2009	2009	2008	2009 / 2008
Revenue	3 074 456	3 249 602	-5.39%	9 495 159	19 697 906	-51.80%
Gross profit	1 619 258	1 678 012	-3.50%	4 969 236	11 890 961	-58.21%
Operating profit	1 420 251	1 520 248	-6.58%	4 339 844	11 360 389	-61.80%
Net profit	853 579	822 709	3.75%	2 490 025	9 427 624	-73.59%

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

## Stoilensky

	Q4 2009	Q3 2009	Q4 2009/Q3 2009	2009	2008	2009 / 2008
Revenue	3 711 231	3 738 975	-0.74%	15 205 293	21 822 107	-30.32%
Gross profit	1 884 453	1 996 704	-5.62%	7 832 101	15 245 681	-48.63%
Operating profit	1 540 674	1 783 173	-13.60%	6 618 539	14 311 889	-53.75%
Net profit	1 339 688	1 435 208	-6.66%	5 669 717	11 998 388	-52.75%

## NSMMZ <sup>2</sup>

	Q4 2009	Q3 2009	Q4 2009/Q3 2009	2009	2008	2009 / 2008
Revenue	4 517 900	5 878 636	-23.15%	19 330 622	36 348 161	-46.82%
Gross profit	393 773	723 849	-45.60%	1 987 045	10 026 960	-80.18%
Operating profit	-229 730	205 688		-142 268	7 548 075	-101.88%
Net profit	-4 802 164	-1 022 483	369.66%	-8 915 809	1 618 645	-650.82%

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

## Altay-Koks

	Q4 2009	Q3 2009	Q4 2009/Q3 2009	2009	2008	2009 / 2008
Revenue	5 036 158	4 270 717	17.92%	15 729 353	28 610 612	-45.02%
Gross profit	1 405 551	1 367 905	2.75%	2 883 350	6 361 217	-54.67%
Operating profit	1 185 837	955 884	24.06%	1 728 742	3 814 289	-54.68%
Net profit	985 461	753 703	30.75%	2 188 588	2 228 394	-1.79%

**NTK (transportation company)**

	Q4 2009	Q3 2009	Q4 2009/Q3 2009	2009	2008	2009 / 2008
Revenue	1 516 845	1 403 952	8.04%	4 922 247	3 392 851	45.08%
Gross profit	179 782	250 466	-28.22%	673 206	972 360	-30.77%
Operating profit	105 486	196 239	-46.25%	431 859	739 778	-41.62%
Net profit	68 209	166 887	-59.13%	319 264	599 896	-46.78%

**Management comments**

- **Lipetsk production site Q4 2009 operating profit growth**

The 8% quarter-on-quarter increase in revenue is driven mainly by higher average selling price in Q4 2009.

In Q4 gross profit increased by 24% quarter-on-quarter. This growth is mainly attributable to improved sale mix as share of high value added product sales increased, supported by low production costs resulting from a strict cost control. NLMK's Q4 operating profit grew by 34% quarter-on-quarter. This significant improvement was also driven by higher average selling prices quarter-on-quarter and an increased share of high value added product sales. We should also note the continuous reduction of administrative and selling expenses throughout the period which are attributable primarily to our management's cost-cutting efforts.

Allowance for bad debt and the devaluation of financial investments according to RAS were the main contributor to the decline in Q4 2009 net profit. Excluding these factors, Q4 2009 net profit would result in RUR 7.5 billion.

The year-on-year reduction in NLMK's 2009 financial results was driven mainly by lower prices and steel products sales structure changes negatively impacted by the world economic crisis.

- **VIZ-Stal quarter-on-quarter growth in net profit**

An insignificant decrease in the company's Q4 2009 financial performance was mainly attributable to lower average selling prices which was partially offset by modest sales volume growth. Operating profit decreased by 7% due to one-off administrating expenses.

Reduced demand for transformer steel during the crisis caused the lower financial performance in 2009, as average selling prices softened and sales volumes declined 45% year-on-year.

- **Q4 2009 revenue of Stoilensky remained stable**

Q4 2009 revenue remained almost flat quarter-on-quarter. The decrease in gross profit and operating profit by 5% and 14% respectively in Q4 2009 was mainly driven by growing costs related to seasonal maintenance of processing equipment and also to one-off factors.

Lower average selling prices for iron ore concentrate and sinter ore were a major cause of the company's financial decline year-on-year.

Q1 2010 financial performance is expected to improve due to growth in average selling prices. •

### **Lower financial results for NSMMZ in Q4 2009**

In Q4 2009 revenue and gross profit decreased by 23% and 46% respectively driven mainly by lower sales volumes and prices as a result of the seasonal decline in demand in the construction sector. The Q4 2009 four-fold net loss increase quarter-on-quarter is of a non-operational nature and is attributable to the creation of allowances for bad debts according to the Company's accounting policy.

Lower year-on-year financial performance in 2009 was driven by reduced sales volumes and average selling prices, as well as the increased share of low value-added product sales.

- **Higher financial results for Altay-koks in Q4 2009**

Q4 2009 revenue grew by 18%, supported by higher coke and coke-chemical product prices despite a minor reduction in sales volumes. Gross profit increased at a slower rate due to increased production costs resulting from higher raw material prices. In Q4 2009 an OPEX decrease quarter-on-quarter was attributable to decline in commercial and transportation expenses as share of sales volumes on an FCA basis grew. This contributed to a 24% growth operating profit. In Q4 2009 net profit increased by 30% quarter-on-quarter.

Lower year-on-year financial performance in 2009 was driven by reduced sales volumes and selling prices due to slumping demand primarily in H1 2009.

In Q1 2010 revenue is expected to grow on a quarterly basis as demand for coke and coke-chemical products improved.

- **NTK revenue up in Q4 2009**

Q4 quarter-on-quarter revenue growth was attributable to increased volumes of shipping done by NTK's own rolling stock, as well as an increased volume of services supplied to the third parties to reduce the empty mileage. Higher maintenance costs, along with changed conditions for leasing of railcars, negatively impacted gross profit and net profit on a quarter-on-quarter basis.

Higher year-on-year revenue in 2009 is attributable to an increased number of NTK's owned and leased railcars, as well as higher railway tariffs. Lower gross and net profit in 2009 (-42% and -47% respectively) was mainly attributable to increased costs driven by growing lease payments, as well as higher rolling stock repair and maintenance costs. Profitability was also undermined by having leased cement carriers as part of the railcar fleet. Their low utilization rates during the reporting period were factored by weaker business activity in construction. The Company is currently working on bringing their amount down to the optimal level.

The Company's Q1 2010 operating and financial performance is expected to improve quarter-on-quarter driven by higher capacity utilization and growing prices for the Company's services.

### **NLMK**

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