



Press Release

04 August 2010

NLMK Group Q2 2010 RAS Financial Results

Novolipetsk Steel (LSE: NLMK), today announces its Q2 2010 Russian Accounting Standards (RAS) financial results for its major companies¹.

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 September 2010.

Q2 2010 RAS Financial Results for NLMK Group

('000 RUR, except for percentages)

Novolipetsk (Main Production Site)

| | Q2 2010 | Q1 2010 | Q2 2009 | Change, % | |
|------------------|-----------|------------|-----------|---------------------|---------------------|
| | | | | Q2 2010/ Q1 2010 | Q2 2010/ Q2 2009 |
| Revenue | 46 774 51 | 35 256 816 | 26 684 64 | 32.67% | 75.28% |
| Gross profit | 14 461 57 | 9 973 385 | 5 671 891 | 45.00% | 154.97% |
| Operating profit | 9 540 943 | 5 087 636 | 1 587 081 | 87.53% | 6 fold |
| Net profit | 11 688 53 | 2 659 440 | 22 322 48 | 339.50% | -47.64% |

¹ NLMK (Main production site in Lipetsk), VIZ-Stal, Stoilensky, NSMMZ (part of Long Products Division), Altai-Koks, NTK

VIZ-Stal

| | Q2 2010 | Q1 2010 | Q2 2009 | Change, % | |
|------------------|-----------|-----------|-----------|---------------------|---------------------|
| | | | | Q2 2010/ Q1 2010 | Q2 2010/ Q2 2009 |
| Revenue | 2 840 815 | 1 901 604 | 1 905 786 | 49.39% | 49.06% |
| Gross profit | 980 404 | 775 195 | 935 779 | 26.47% | 4.77% |
| Operating profit | 768 879 | 616 604 | 797 956 | 24.70% | -3.64% |
| Net profit | 646 698 | 440 074 | 241 062 | 46.95% | 168.27% |

Stoilensky

| | Q2 2010 | Q1 2010 | Q2 2009 | Change, % | |
|------------------|-----------|-----------|-----------|---------------------|---------------------|
| | | | | Q2 2010/ Q1 2010 | Q2 2010/ Q2 2009 |
| Revenue | 7 608 823 | 4 301 169 | 4 901 906 | 76.90% | 55.22% |
| Gross profit | 5 606 554 | 2 349 150 | 2 658 255 | 138.66% | 110.91% |
| Operating profit | 5 331 785 | 2 105 959 | 2 201 772 | 153.18% | 142.16% |
| Net profit | 4 253 149 | 1 685 740 | 1 837 050 | 152.30% | 131.52% |

NSMMZ²

| | Q2 2010 | Q1 2010 | Q2 2009 | Change, % | |
|------------------|-----------|------------|------------|---------------------|---------------------|
| | | | | Q2 2010/ Q1 2010 | Q2 2010/ Q2 2009 |
| Revenue | 6 077 537 | 4 137 353 | 4 750 595 | 46.89% | 27.93% |
| Gross profit | 1 373 024 | 233 510 | 342 295 | 487.99% | 301.12% |
| Operating profit | 653 721 | -177 571 | -157 902 | | |
| Net profit | -673 384 | -1 246 313 | -1 157 031 | -45.97% | -41.80% |

² NSMMZ is the main asset of the Long Products Division.

Altai-Koks

| | Q2 2010 | Q1 2010 | Q2 2009 | Change, % | |
|------------------|-----------|-----------|-----------|---------------------|---------------------|
| | | | | Q2 2010/ Q1 2010 | Q2 2010/ Q2 2009 |
| Revenue | 8 554 969 | 5 796 053 | 3 673 013 | 47.60% | 132.91% |
| Gross profit | 3 180 518 | 1 249 070 | 644 512 | 154.63% | 393.48% |
| Operating profit | 3 014 545 | 944 541 | 364 807 | 219.15% | 8 fold |
| Net profit | 2 391 266 | 730 110 | -78 370 | 227.52% | |

NTK (Transportation Company)

| | Q2 2010 | Q1 2010 | Q2 2009 | Change, % | |
|------------------|-----------|-----------|-----------|---------------------|---------------------|
| | | | | Q2 2010/ Q1 2010 | Q2 2010/ Q2 2009 |
| Revenue | 1 979 636 | 1 661 036 | 1 150 295 | 19.18% | 72.10% |
| Gross profit | 259 574 | 175 834 | 141 825 | 47.62% | 83.03% |
| Operating profit | 226 683 | 144 024 | 85 752 | 57.39% | 164.35% |
| Net profit | 182 583 | 105 881 | 41 834 | 72.44% | 336.44% |

Key Results

- **Lipetsk production site demonstrates substantial improvement in financial performance**

Revenue of the Lipetsk production site increased by 33% quarter-on-quarter and 75% year-on-year. This rise was mainly a result of higher prices and seasonal improvement in demand. A better product mix structure (with a higher share of downstream products) also positively affected the Company's revenue.

Gross profit increased by 45% quarter-on-quarter and 2.5 times year-on-year. Revenue growth, as well as the larger share of HVA products in the sales portfolio, were the key factors behind the Company's gross profit growth increasing the margin by 3 p.p. quarter-on-quarter.

Net income totaled RUR11,688 million, a 4.4 times quarter-on-quarter increase which is mainly attributable to the income arising from subsidiaries' dividends based on the 2009 results. Without this factor, the Company's net income totaled RUR5,281 million, a 2 fold increase quarter-on-quarter.

Net income from the Lipetsk site declined by 47% year-on-year due to the influence of dividends from subsidiaries which were significantly higher in 2009, driven by pre-crisis results of the companies in 2008.

- **VIZ-Stal shows better financial results**

Higher volumes of transformer steel sales to both domestic and export markets allowed a growth in revenue of 49% quarter-on-quarter and year-on-year offsetting a non-significant decline in prices.

Gross profit was 26% higher quarter-on-quarter as a result of higher utilization rates and lower fixed costs per tonne of steel products. Increase in higher quality transformer steel sales also contributed to the growth of financial and operating results.

The Company's net profit increased by 47%, mainly due to higher operating profit, as well as lower level of miscellaneous expenses. Net profit increased by 2.7 times year-on-year, driven by a reduction in foreign currency exchange losses.

- **Sequential growth of Stoilensky's financial results**

Sales prices grew both quarter-on-quarter and year-on-year, driving the Company's revenue growth by 77% and 55% respectively.

Stoilensky's revenue growth, as well as strict control over production costs allowed increases in gross profit and operating profit by 2.4 and 2.5 times respectively quarter-on-quarter. Similar factors determined a year-on-year increase in Stoilensky's profitability.

In turn, high operating profit predetermined an increase in net income by 2.5 times quarter-on-quarter and by 2.3 times year-on-year.

- **NSMMZ's higher operating profit and lower net losses**

Seasonal improvement in demand from the construction sector resulted in increased sales volumes and prices for steel products, leading to a 47% quarter-on-quarter sales revenue growth. The 28% year-on-year increase in revenue was mainly attributable to higher steel prices and an increased share of downstream products within the sales structure.

NSMMZ's revenue growth coupled with lower prices for purchased scrap led to an increase in the Company's gross profit by 5 times quarter-on-quarter. Elevated capacity utilization rates (allowing the reduction of cash cost per tonne of steel products) and improved product mix sales structure also contributed to the higher gross profit.

The Company's net losses are still determined by the high debt leverage. NSMMZ managed to significantly

reduce its losses largely due to high financial results from operations.

In Q2 2010, in order to streamline the NLMK-Long Products Division's organizational and management structure, NSMMZ was reorganized via consolidation with the Berezovsky Electrometallurgical Plant. Its main asset is a rolling mill for manufacturing wire rod with a capacity of c.1 million tonnes. It is currently on the precommissioning stage sourcing semi-finished products from NSMMZ steelmaking facilities. Berezovsky plant consolidation was an additional driver for the Company's performance improvement.

- **Higher net income for Altai-Koks in Q2 2010**

Altai-Koks' revenue increased by 48% quarter-on-quarter and 2.3 times year-on-year, mainly driven by higher prices for coke and chemical by-products.

The Company's revenue grew faster than production costs, increasing gross profit by 2.5 times quarter-on-quarter and by 3.9 times year-on-year. Management actions directed towards cutting expenditures allowed the Company to keep production costs under control which also contributed to the gross profit margin increase of 16 p.p. quarter-on-quarter.

Operating profit increased by 3 times quarter-on-quarter and by 8 times year-on-year due to high gross profit and a reduction in selling expenses attributable to the increased share of domestic sales including intercompany transactions.

Operating profit growth was a key factor driving an increase in net income by 3.3 times quarter-on-quarter. Financial results from other operations remained largely flat quarter-on-quarter while income tax increased in accordance with the Company's profitability dynamics.

- **Improved financial performance of NTK**

Growth of NTK's own fleet of open cars facilitated growth in volumes of shipping, including by the Company's own rolling stock which resulted in a 19% revenue growth quarter-on-quarter. These factors, as well as railway transportation tariff readjustments drove its revenue growth by 72% year-on-year.

NTK's operating performance improved both on quarter-on-quarter and year-on-year basis.

Operating profit margin increased by 3 p.p. quarter-on-quarter and 4 p.p. year-on-year. Higher utilization rates served as an additional driver for NTK's profitability growth in Q2 2010.

NLMK

Investor Relations

Tel: +7 495 915 1575

Email: ir@nlmk.com