NLMK Q1 2010 US GAAP Results

Novolipetsk Steel (LSE: NLMK), the LSE-listed leading Russian steel producer, today announces its consolidated US GAAP results for Q1 2010.

Q1 2010 KEY FINANCIALS

USD million	Q1 2010	Q4 2009*	Change %	Q1 2010	Q1 2009	Change %
Sales revenue	1 697	1 815	-6%	1 697	1 293	31%
Gross profit	524	686	-24%	524	322	63%
Operating profit	264	347	-24%	264	99	167%
EBITDA**	386	528	-27%	386	197	96%
EBITDA margin (%)	23%	29%		23%	15%	
Net profit	132	294	-55%	132	-194	-168%
Net debt attributable to NLMK shareholders	955	796	20%	955	915	4%
Net debt /EBITDA***	0,58	0,55		0,58	0,24	

** 3M 2010, 12M 2009, 9M 2009 and 3M 2009 are official reporting periods. Q4 2009 figures are derived by computational method. This assumption is related to calculation of segmental financial results.*

*** EBITDA reconciliation is presented at the end of the press-release in Appendix 1.*

**** Net debt/EBITDA ratio is calculated as Net debt as at the end of the reporting period divided by trailing 12 months EBITDA.*

Q1 2010 OPERATING HIGHLIGHTS:

- Steel production: 2.7 million tonnes (-6 % quarter-on-quarter);
- Sales: 2.8 million tonnes (flat quarter-on-quarter).

OUTLOOK

In Q2 2010 steel sales volume is expected to grow c.10% quarter-on-quarter to 3.0 million tonnes and average selling prices are estimated to increase 20-30% quarter-on-quarter. According to our preliminary estimates, the EBITDA margin in Q2 2010 will be between 25-30%. At the same time, in Q3 2010 prices for a wide range of our products are expected to decline due to the lack of clear signs of recovery in developed economies.

Disclaimer:

This announcement may contain a number of forward-looking statements relating to, among others, the financial condition and results of operations of the Company. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by them and are based on assumptions regarding the Company's present and future business strategies and the environment in which the Company and its subsidiaries operate both now and in the future. Forward-looking statements speak only as at the date of this announcement and save as required by applicable legal and/or regulatory requirements the Company expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements.

MANAGEMENT COMMENTS

Proactive and flexible sales strategy and diversified product mix mitigated the

impact of the seasonal decline in demand, maintaining quarter-on-quarter stability in sales volumes and achieving high profitability.

Enhancing sales efficiency

In Q1 2010, the seasonal decline in demand in the domestic market and a number of international markets had a negative impact on sales structure and average prices.

Q1 2010 was marked by a large-scale reorientation of sales towards the most favorable markets, allowing NLMK to partially offset the impact of seasonal factors. For instance, steel product sales to developed markets increased significantly.

Deliveries to the EU increased 43% quarter-on-quarter to 30% of total sales. The share of North American sales increased by almost 2.5 times to c.8%, mostly driven by increased Beta Steel sales.

As a result, Q1 2010 sales amounted to 2.8 million tonnes, remaining flat quarter-on-quarter and increasing by 19% year-on-year.

For more detailed information on our sales volumes please refer to the Appendix.

Investments

Key projects in Q1 2010 included: the construction of Blast Furnace #7, modernization and expansion of steelmaking and rolling operations, and increasing energy self sufficiency at the main production plant in Lipetsk. The Group continued the construction of its EAF mini-mill in the Kaluga region and the development of Stoilensky production facilities.

In March 2010 Novolipetsk Steel commissioned a highly efficient 4 million tonnes per annum ladle furnace that will enable the Company to produce new steel grades for automotive, white goods and electrical engineering applications.

In the same month NLMK resumed upgrading activities at its continuous reheating furnace used for bringing slabs to forging temperature on the hot-rolling mill. Commissioning the furnace in 2011 will increase the mill's capacity by 200,000 tonnes per annum to 5.5 million tonnes, and to 5.7 million tonnes by 2014.

In Q1 2010 the Group allocated USD234 million, -USD179 million quarter-on-quarter, for the construction of property plant and equipment. This decline is attributable to the seasonal reduction of construction in the winter period, as well as to the substantial increase in capital expenditure in Q4 2009.

A large amount of investment projects are planned for the remainder of 2010, therefore we expect an increase in capital investments that will total around USD1.9 billion for the full year.

Coking coal sufficiency

Traditionally, the quality of coking coal abundantly mined in Russia is not always satisfactory for modern efficient steel manufacturing.

Given the existing deficit in hard coking coal (grade Zh) in the Russian market, in Q1 2010 NLMK signed 2-year contract for coking coal deliveries from the US in order to improve the quality of coke and increase blast furnace production efficiency. Purchasing costs under the deal, including delivery costs, are comparable to the cost of acquiring coal of Russian origin but the quality of imported coal is much better hence allowing higher efficiency of operations. Moreover, in order to further develop upstream integration in coking coal, the Company is planning to start developing its coal deposit in the Kemerovo region (Siberia). NLMK acquired the license for the deposit a few years ago. As a result, we plan to cover up to 50% of our coking coal needs in three years' time.

The Group’s sustainable operations are currently ensured by coal deliveries from NLMK’s key suppliers.

Debt management

In March 2010, NLMK placed an issue of three-year ruble bonds at a coupon rate of 7.75% per annum for a total amount of RUR10 billion. Proceeds from the placement were used to refinance expensive long-term loans. This issue, coupled with other activities we took last year (including the issue of bonds for a total of RUR15 billion) allowed a significant reduction of short term debt and decease interest payment.

At the end of Q1 2010 the overall debt of the Group totaled USD2,536 million (+2% compared to Q4), attributable largely to the receipt of funds for financing imported production equipment under the 2009 loan facility guaranteed by Export Credit Agencies. Net debt increased 20% to the beginning of Q1 to USD955 million due to a decrease in cash balance attributable in part to the implementation of our Technical Upgrade Program projects.

Credit ratings

In March 2010 *Standard & Poor’s*, the international rating agency, raised its outlook for NLMK's BBB- corporate rating from “negative” to “stable” and revised its national scale rating from ruAA+ to ruAAA, confirming the Company’s high credit quality. This is the highest credit score on *Standard & Poor's* Russian scale.

Standard & Poor's also assigned a BBB- rating to NLMK’s BO-06 ruble bonds. The issue volume of the bonds is RUR10 billion.

Subsequent events

In June 2010 *Moody's Investors Service* changed the outlook for NLMK's Ba1 corporate family rating and the outlook on NLMK's Aa1.ru national scale rating from “stable” to “positive”.

Steel Invest and Finance S.A. (NLMK – Duferco JV)

In Q1 2010 the net loss of Steel Invest and Finance S.A. (the NLMK – Duferco JV), reflected in the income statement of NLMK, was USD27 million. Despite the negative financial result, in Q1 2010 the JV’s operating performance improved compared to Q4 2009, and in Q2 we expect a further improvement of the JV’s financial performance.

In Q1 NLMK delivered 0.4 million tonnes of slabs to the JV’s rolling facilities. This created a stable sales channel for over 40% of slabs at market prices. NLMK plans to sell a total of 1.9 million tonnes of slabs to the JV rolling facilities during the rest of 2010.

CFO comments

Ms Galina Aglyamova, Chief Financial Officer, said:

"In Q1 we focused on increasing of profitability of our sales, allowing the Group to maintain stable sales volumes and retain its profitability leadership despite the seasonal decline in domestic demand.

Despite the negative impact of the seasonal decline in product prices and growth of coking coal and scrap prices, Q1 2010 EBITDA margin was 23%, the highest among Russian steel companies.

We continued with our CAPEX program, as well as the Company's debt portfolio optimization.

We are committed to our traditional financial strategy directed at maintaining a low level of debt and strong liquidity position. Debt ratios are comfortably in line with covenants, providing us a sustainable safety margin. Our solid liquidity position allows us to continue investing in the development of the Company.

Outlook

In Q2 2010 we expect a significant improvement in our operating and financial performance. Sales will amount to c. 3 million tonnes. Q2 2010 EBITDA margin is expected to be around 25-30%. We expect steel price volatility to persist in H2 2010 impacted by the ongoing instability of demand for steel products on the key markets and high raw material prices."

Consolidated financial results

Key factors driving our Q1 2010 financial performance

- **Steel price adjustments.** Q1 2010 was marked by weaker conditions in the Company's key sales markets, including the Russian market, due mainly to seasonal factors and a weak market environment. Q1 average selling price declined by 4% quarter-on-quarter to USD556 per tonne of steel.
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Group's sales strategy in action

- **Changes in sales geography**. Product and geographic diversification allowed NLMK to maintain stable steel sales in the conditions of declining demand and prices in some markets. In Q1 2010 the share of local sales remained flat at 27% (c. 0.7 million tonnes). Steel sales to the EU and North America increased to 30% and 8% respectively. The share of sales to the Middle East (including Turkey) amounted to 21%, and 11% to South East Asia.
- **Changes in sales structure**. In Q1 2010 sales of high value-added products used in construction decreased (-12% for galvanized steel, -27% for colour-coated steel), which is mostly attributable to seasonal softening in demand from construction sector. Transformer and dynamo steel sales contracted by 23% and 17% respectively due to the unstable global market environment. At the same time, sales of slabs and HRC, the more common types of steel products, increased by 11% and 27% accordingly. The Group's slab sales were largely supported by deliveries to SIF (NLMK's JV with Duferco Group) rolling facilities. Thick plate sales at DanSteel increased by 29% quarter-on-quarter, following the recovery of demand for this product in the European market.

Income statement

Revenue

In Q1 2010 NLMK's consolidated sales revenue amounted to USD1,697 million (-6% quarter-on-quarter), which is attributable largely to a reduction in prices and changes in the Group's sales structure in favour of less expensive types of products. The steel segment accounted for the largest revenue share with 87%. Long products and coke-chemical segments yielded 9.5% and 3% respectively.

NLMK's revenue grew by 31% year-on-year due to an increase in sales volumes compared to the crisis level of the last year.

Production costs

Q1 2010 production costs (excluding depreciation and amortization) amounted to USD1.05 billion (+5% quarter-on-quarter). This increase was mostly attributable to higher prices for raw materials and services of natural monopolies. For instance, Q1 market prices for coking coal concentrate increased by 18%, for scrap by 19%, while railway cargo transportation tariff grew by 9.4%. The growth in production costs was additionally driven by seasonal maintenance & repair activities in the winter period. Q1 2010 cash cost per tonne of slabs amounted to USD286, a 19% increase quarter-on-quarter.

Production costs grew by 20% year-on-year, due mostly to an increase in production volumes (steel output grew by 27%).

Operating expenses including SG&A

In Q1 2010 operating expenses including SG&A declined 12% quarter-on-quarter to USD260 million (without the Long Product Division's goodwill impairment totaling USD43.7 million in Q4 2009). Commercial expenses contracted the most (-21% quarter-on-quarter), attributable mostly to changes in

NLMK's sales geography, including an increased share of the Group's foreign asset sales.

Operating profit

Q1 2010 operating profit was USD264 million (-24% quarter-on-quarter). The operating profit margin declined to 16% (-3 p.p. quarter-on-quarter).

NLMK’s consolidated operating profit increased by over 2.5 times year-on-year driven mainly by growing sales volumes and reducing unit costs of production.

EBITDA

Q1 2010 EBITDA totaled USD386 million and the EBITDA margin was 23%, a 6 p.p. decline quarter-on-quarter and an 8 p.p. increase year-on-year.

This quarter-on-quarter reduction was driven mainly by softer pricing environment factored by an increase in the cost of raw materials and services of natural monopolies.

Interest expenses

In Q1 2010 interest expenses included in the Profit & Loss statement totaled USD8 million. The significant reduction of these expenses is attributable to changes in the accounting policies for financial expenses that are partially capitalized. Excluding the capitalization of these costs, the Group’s interest expenses decreased 8% in dollar terms quarter-on-quarter to ~USD36 million.

Net FX gain/loss

In Q1 2010 the net FX loss amounted to USD53 million. This is attributable mainly to exchange rate fluctuations.

Net income

In Q1 2010 the Company recorded net income (attributable to NLMK shareholders) amounting to USD132 million compared to net loss of USD194 million in Q1 2009. The margin totaled 8%. In Q1 2010 income per share equaled USD0,0219.

NLMK’s net income was partially offset by SIF’s (NLMK’s JV with Duferco Group) financial performance: these assets were consolidated into the Group’s balance with a loss of USD27 million. We expect the JV’s performance to improve in Q2 2010.

Consolidated balance sheet

As of 31 December 2009 the Group’s assets totaled USD13 billion, increasing by 4% in Q1 2010. The key factors contributing to this growth were the expected increase in NLMK’s working capital driven by higher raw material and product prices and the related growth of work in progress and accounts receivable. Capital investments also contributed to the increase in NLMK’s book value.

Shareholder’s equity remained high totaling 69% as of 31 March 2010.

Q1 2010 financial debt amounted to USD2,536 million with long-term liabilities accounting for 79%. Short-term debt totaled USD544 million, mainly represented by the short-term debt as part of a syndicated loan obtained in 2008. Payments under this loan are made on a quarterly basis.

Net debt as of 31 March 2010 totaled USD955 million (20% increase compared to the 2009 end year). This change was mostly caused by an insignificant increase in total debt, as well as a reduction of cash funds and short-term financial investments.

Net debt/EBITDA ratio reached 0.58 as at the end of Q1 2010.

Q1 2010 current assets increased by 6% and amounted to USD4,091 million which is attributable mostly to the higher volume of inventories and receivables factored by growing raw material and finished product prices.

Fixed assets grew by 4% driven by capital investments and commissioning of new equipment as part of NLMK's Technical Upgrade Program.

The ROA (Return on assets) and ROE (Return on equity) ratios in Q1 2010 amounted to 4% and 6% respectively.

Cash flow statement

Operating cash flow

Cash flow from operating activities in Q1 2010 totaled USD103 million, down 28% quarter-on-quarter. The reduction in cash flow was mainly factored by lower profitability of the Group and an increase in working capital due to the rise in prices for the main raw materials (about USD176 million spent in Q1 2010).

Cash flow from investing activities

Cash flow from investing activities in Q1 2010 amounted to USD227 million. The majority of expenditure was directed towards the purchase of property plant and equipment (USD234 million).

Cash flow from financing activities

The bulk of proceeds from the bond loan issued in March 2010 was used to optimise NLMK's debt portfolio (refinancing the more expensive credit lines and extending the maturity period).

As a result of all financing operations, net cash inflow totaled USD5 million.

The Group's cash position as at the end of Q1 2010 totaled USD1,157 million and an aggregate of cash and cash equivalents and short-term investments stood at USD1,582 billion which coupled with low debt level (net debt amounted to USD955 million) emphasize the stable financial position of the Company.

Steel segment

USD, million	**Q1 2010**	Q4 2009	%	**Q1 2010**	Q1 2009	%
Revenue from external customers	1,472	1,597	-8%	1,472	1,136	30%
Revenue from intersegmental operations	21	24	-13%	21	18	16%
Gross profit	408	578	-29%	408	268	53%
Operating profit/ (loss)	208	357	-42%	208	91	128%
Profit / (loss) after income tax	131	443	-70%	131	-63	

3M 2010, 12M 2009, 9M 2009 and 3M 2009 are official reporting periods. Q4 2009 figures are derived by computational method.

The Group's financial performance is largely defined by the performance of the steel segment, which comprises NLMK, VIZ-Stal (a producer of electrical steel), DanSteel A/S (a thick plates producer), Beta Steel (US-based steel and flats producer), trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland, as well as a number of service companies (Logistics company NTK and Trading House NLMK).

In Q1 2010 the segment's production volume totaled 2.5 million tonnes of crude steel (flat quarter-on-quarter and +40% year-on-year). The output of saleable slabs totaled 0.9 million tonnes (-14% quarter-on-quarter and +40% year-on-year) and flat steel – 1.4 million tonnes (+10% quarter-on-quarter and +27% year-on-year). Total sales volume amounted to 2.5 million tonnes including 0.04 million tonnes of long products sold through the Group's export trading operations.

Revenue from external customers in Q1 2010 totaled USD1.472 million (-8% quarter-on-quarter and +30% year-on-year), operating profit totaled USD208 million (-42% quarter-on-quarter and +128% year-on-year). The seasonal decline in demand resulted in lower average selling prices and changes in the structure of product sales (lower share of HVA products) and predetermined lower quarter-on-quarter financial results.

Long product segment

USD, million	**Q1 2010**	Q4 2009	%	**Q1 2010**	Q1 2010	%
Revenue from external customers	162	158	2%	162	102	58%
Revenue from intersegmental operations	62	86	-27%	62	50	25%
Gross profit	13	11	18%	13	6	117%
Operating profit/ (loss)	-24	-81	-70%	-24	-26	-7%
Profit / (loss) after income tax	-83	-183	-55%	-83	-97	-14%

3M 2010, 12M 2009, 9M 2009 and 3M 2009 are official reporting periods. Q4 2009 figures are derived by computational method.

The Long products segment includes Long Products Division companies: NSMMZ, UZPC, Uralvtorchermet, etc. The core activities of these companies are scrap collection and processing, steel-making (EAF based) and long products and metalware production.

The segment's crude steel production in Q1 2010 totaled 0.3 million tonnes (-39% quarter-on-quarter, and -33% year-on-year). Production was decreased in response to the seasonal decline in demand and mostly concerned low value added products, i.e. billets which showed an almost 60% decrease quarter-on-quarter.

The share of HVA products in the sales structure increased, for instance metalware sales grew by 10 % quarter-on-quarter to 48,000 tonnes, allowing to offset the decline in total segment sales volumes (-6% quarter-on-quarter) and show a 2% increase in revenue quarter-on-quarter.

Revenue from external customers in Q1 2010 amounted to USD162 million (+2% quarter-on-quarter, and +58% year-on-year). Decline in intersegmental revenues is mainly factored by lower export sales performed through traders that are part of the Steel segment. Operating loss in the reporting period amounted to USD24 million, 70% less than Q4 2009 losses. Overall, despite a traditionally low demand for the Segment's products in Q1, NLMK's Long Product Division managed to reduce operating losses, primarily due to a proactive response to market conditions through product structure optimization.

Financial results after income tax are mainly attributable to the Segment's high interest expenses (debt leverage).

Mining segment

USD, million	**Q1 2010**	Q4 2009	%	**Q1 2010**	Q1 2010	%
Revenue from external customers	13	12	4%	13	12	3%
Revenue from intersegmental operations	140	124	13%	140	77	82%
Gross profit	76	56	35%	76	34	122%
Operating profit/ (loss)	62	39	61%	62	24	160%
Profit / (loss) after income tax	50	34	47%	50	25	98%

3M 2010, 12M 2009, 9M 2009 and 3M 2009 are official reporting periods. Q4 2009 figures are derived by computational method.

NLMK's Mining segment comprised Stoilensky GOK, Dolomite and Stagdok. These companies mainly supply raw materials to NLMK's production facilities in Lipetsk and also sell limited volumes outside the Group.

In Q1 2010 Stoilensky, the Group's key mining asset, produced 2.9 million tonnes of iron ore concentrate (-2% quarter-on-quarter and +34% year-on-year) and 0.4 million tonnes of sinter ore (+1% quarter-on-quarter and +86% year-on-year).

The bulk of the Segment's revenue is generated by intersegmental operations, primarily through sales to the Lipetsk plant. In the beginning of 2010 market prices for iron ore grew resulting in higher revenue while sales volumes remained stable.

The Segment's stable production costs allowed NLMK to achieve higher profitability. Operating profit in Q1 2010 amounted to USD62 million (+61% quarter-on-quarter and +160% year-on-year), profit after income tax amounted to USD50 million (+47% quarter-on-quarter and +98% year-on-year).

Coke-chemical segment

USD, million	**Q1 2010**	Q4 2009	%	**Q1 2010**	Q1 2010	%
Revenue from external customers	50	46	9%	50	38	33%
Revenue from intersegmental operations	144	125	15%	144	43	233%
Gross profit	38	36	6%	38	7	480%
Operating profit/ (loss)	26	29	-10%	26	-3	-873%
Profit / (loss) after income tax	17	18	-7%	17	8	104%

3M 2010, 12M 2009, 9M 2009 and 3M 2009 are official reporting periods. Q4 2009 figures are derived by computational method.

The Coke-chemical segment comprises Altai-Koks and its subsidiaries. Altai-Koks is Russia's largest non-integrated coke producer.

In Q1 2010 the segment produced 0.8 million tonnes of dry coke, 6% growth quarter-on-quarter and 47% growth year-on-year.

Sales volumes also totaled 0.8 million tonnes (+7% quarter-on-quarter and +53% year-on-year). However, coke deliveries fell by 7% quarter-on-quarter as a result of reduced steel output at the Lipetsk site.

Higher revenues from both external and internal customers are mainly attributable to an increase in operating results and growing market coke prices. A non-significant reduction in profitability is associated with a more substantial growth of coking coal prices.

*For reference (information on the Lipetsk plant coke production results)**

In Q1 2010 Lipetsk plant coke output totaled 0.6 million tonnes of coke, a 3% decline quarter-on-quarter and 26% growth year-on-year.

Total volume of coke produced by NLMK Group was 1.4 million tonnes (+2% quarter-on-quarter and +37% year-on-year).

**Financial results of all Lipetsk plant operations are reflected in the Steel segment*

The full version of the US GAAP Q1 2010 financial statements is available on the Company's website at: www.nlmk.com.

Reference information

(1) NLMK Group US GAAP Q1 2010 financial statements
(2) US GAAP Q1 2010 financial and operating results presentation

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About NLMK

Novolipetsk Steel (LSE: NLMK) is one of the world's leading producers of steel, with 2009 revenue of USD6.1 billion, output over 10.6 million tonnes. The key production facilities located in Russia, the EU and USA employ over 60,000 people.
The Company produces a wide range of steel products, including slabs and billets, hot-rolled, cold-rolled, galvanized and electrical steel, as well as rebar, thick hot-rolled plates and other HVA products. In 2009 NLMK delivered its products to customers from 70 countries. NLMK shares are traded in Russia on MICEX and RTS, and GDRs – on the London Stock Exchange.

Appendix 1.

(1) Q1 2010 EBITDA

USD, million	Q1 2010	Q4 2009	12M 2009	12M 2008
Net profit attributable to NLMK shareholders	132	294	215	2,279
Minus:				
Equity in net losses of associate	-27	29	-315	-151
Net interest expense	4	-32	-111	-117
Income tax	-52	-50	-182	-703
Loss on disposal of fixed assets	-2	9	-4	-10
Impairment losses	0	-44	-44	-128
Depreciation and amortization	-123	-129	-478	-499
Net foreign currency exchange	-53	0	-78	-367
Gains (losses) from financial Investments	-1	-9	-11	-21
Other items (failed transaction fee, expenses related to organization of financing)	0	-6	-6	-262
EBITDA	386	528	1,444	4,538

(2) Sales by region (in '000 tonnes) in 2008-2009 and Q1 2010

Region	**2008**	**2009**	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**
Russia	3,765	2,892	571	661	876	784	741
EU	1,680	2,008	573	376	472	587	841

Middle East incl. Turkey	1,967	2,401	532	428	698	743	578
North America	1,108	665	97	63	414	91	214
Asia	1,153	2,328	493	740	589	506	312
Other regions	589	305	70	26	133	76	91
Total	**10,261**	**10,599**	**2,337**	**2,295**	**3,180**	**2,787**	**2,776**

(3) Sales by products (in '000 tonnes) in 2008-2009 and Q1 2010

Product type	**2008**	**2009**	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**Q1 2010**
Pig iron	616	559	90	15	221	233	94
Slabs	3,108	3,443	645	823	1,062	912	1,008
Hot-rolled thick plates	504	219	72	51	45	52	67
Hot-rolled steel	1,395	2,191	563	495	627	506	645
Cold-rolled steel	1,439	1,536	337	336	456	407	407
Hot-dip galvanized steel	420	328	58	60	107	102	90
Colour-coated steel	340	331	58	81	97	96	69
Transformer steel	342	154	36	30	39	48	37
Dynamo steel	325	161	34	37	39	51	43
Billets	541	273	72	57	61	83	31
Long products	1,086	1,216	335	261	366	254	237
Metal-ware	145	188	36	50	59	44	48
Total	**10,261**	**10,599**	**2,337**	**2,295**	**3,180**	**2,787**	**2,776**

(4) Revenue by region (based on management data)

Region	Q1 2010*		2009		2008	
	USD million	Share, %	USD million	Share, %	USD million	Share, %
Russia	626	36.9%	2 280	37.1%	4 561	39.0%
EU	418	24.6%	847	13.8%	2 046	17.5%
Middle East incl. Turkey	284	16.7%	1 302	21.2%	1 953	16.7%
North America	121	7.1%	301	4.9%	715	6.1%
Asia and Oceania	164	9.6%	1 225	20.0%	1 786	15.3%
Other regions	85	5.0%	185	3.0%	640	5.5%
TOTAL	**1 697**	**100%**	**6 140**	**100.0%**	**11 699**	**100.0%**

* based on management data, could differ from consolidated reporting data

(5) Consolidated cost of production in Q1 2010 and Q4 2009

Type of expenses	Q1 2010		Q4 2009	
	USD million	%	USD million	%
Iron ore	48	4.6%	16	1.6%
Coke and coal	256	24.4%	160	16.0%
Scrap	162	15.5%	144	14.4%
Ferroalloys	40	3.8%	68	6.8%
Other materials	79	7.5%	109	10.9%
Electric energy	99	9.4%	109	10.9%
Natural gas	61	5.8%	34	3.4%

Other fuel materials	25	2.4%	24	2.4%
Labour	160	15.2%	136	13.7%
Other	232	22.1%	123	12.3%
Changes in balances in finished and semi-finished products, work-in-progress and deferrals	(112)	-10.7%	76	7.6%
TOTAL	**1 050**	**100.0%**	**1 000**	**100.0%**

(6) Working capital in Q1 2010

USD million	31.03.2010	31.12.2009	30.09.2009	30.06.2009	31.03.2009	31.12.2008
Current assets	**4,091**	**3,877**	**3,854**	**4,161**	**4,271**	**5,346**
Cash and cash equivalents	1,157	1,247	1,642	1,591	1,546	2,160
Short term investments	424	452	126	467	338	8
Accounts receivable	1,065	913	908	882	1,187	1,488
Inventories	1,324	1,134	1,052	1,031	1,050	1,556
Other current assets net	120	131	126	190	149	134
Current liabilities	**1,533**	**1,417**	**1,998**	**2,264**	**2,279**	**2,980**
Accounts payable	963	841	997	1,109	1,162	1,879
Short-term debt	544	557	957	1,126	1,090	1,080
Other current liabilities	26	19	44	29	27	21
Working capital	**2,558**	**2,460**	**1,855**	**1,897**	**1,993**	**2,366**

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS	As at March 31, 2010	As at December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	1,157,305	1,247,048
Short-term investments	424,221	451,910
Accounts receivable and advances given, net	1,064,812	913,192
Inventories, net	1,324,455	1,134,095
Other current assets	61,517	58,034
Deferred income tax assets	58,744	72,467
	4,091,054	**3,876,746**
Non-current assets		
Long-term investments	401,727	468,236
Property, plant and equipment, net	7,687,965	7,316,180
Intangible assets, net	201,104	203,490
Goodwill	572,175	556,636
Deferred income tax assets	25,847	12,199
Other non-current assets	49,112	68,457
	8,937,930	**8,625,198**
Total assets	**13,028,984**	**12,501,944**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other liabilities	962,933	841,230
Short-term borrowings	544,279	556,563
Current income tax liability	26,274	19,419
	1,533,486	**1,417,212**
Non-current liabilities		
Deferred income tax liability	408,873	396,306
Long-term borrowings	1,991,906	1,938,652
Other long-term liabilities	179,844	139,906
	2,580,623	**2,474,864**
Total liabilities	**4,114,109**	**3,892,076**
Commitments and contingencies	**-**	**-**
Stockholders' equity		
NLMK stockholders' equity		
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at March 31, 2010 and December 31, 2009	221,173	221,173
Statutory reserve	10,267	10,267
Additional paid-in capital	112,450	112,450
Accumulated other comprehensive loss	(596,017)	(796,756)
Retained earnings	9,302,619	9,171,068
	9,050,492	**8,718,202**
Non-controlling interest	**(135,617)**	**(108,334)**
Total stockholders' equity	**8,914,875**	**8,609,868**
Total liabilities and stockholders' equity	**13,028,984**	**12,501,944**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME	For the three months ended March 31, 2010	For the three months ended March 31, 2009
Sales revenue	**1,697,442**	**1,293,326**
Cost of sales		
Production cost	(1,050,443	(874,389)
Depreciation and amortization	(122,995)	(96,625)
	(1,173,438	**(971,014)**
Gross profit	**524,004**	**322,312**
General and administrative expenses	(66,473)	(89,810)
Selling expenses	(161,348)	(110,849)
Taxes other than income tax	(31,723)	(22,562)
Operating income	**264,460**	**99,091**
Loss on disposals of property, plant and equipment	(1,927)	(2,104)
Losses on investments, net	(1,312)	(1,472)
Interest income	11,470	17,897
Interest expense	(7,826)	(53,968)
Foreign currency exchange loss, net	(53,381)	(113,004)
Other expenses, net	(24,714)	(56,913)
Income / (loss) from continuing operations before income tax	**186,770**	**(110,473)**
Income tax (expense) / benefit	(52,114)	1,439
Income / (loss) from continuing operations, net of income tax	**134,656**	**(109,034)**
Equity in net losses of associates	(26,716)	(142,638)
Net income / (loss)	**107,940**	**(251,672)**
Less: Net loss attributable to the non-controlling interest	**23,611**	**57,851**
Net income / (loss) attributable to NLMK stockholders	**131,551**	**(193,821)**
Income / (loss) per share – basic and diluted:		
Income / (loss) from continuing operations attributable to NLMK stockholders per share (US dollars)	0.0219	(0.0323)
Net income / (loss) attributable to NLMK stockholders per share (US dollars)	0.0219	(0.0323)
Weighted-average shares outstanding, basic and diluted (in thousands)	5,993,227	5,993,227

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	For the three months ended March 31, 2010	For the three months ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss)	**107,940**	**(251,672)**
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:		
Depreciation and amortization	122,995	96,625
Loss on disposals of property, plant and equipment	1,927	2,104
Losses on investments, net	1,312	1,472
Equity in net losses of associates	26,716	142,638
Deferred income tax expense / (benefit)	8,137	(26,778)
(Gains) / losses on unrealized forward contracts	(4,435)	16,780
Other	13,971	10,072
Changes in operating assets and liabilities		
(Increase) / decrease in accounts receivable	(122,052)	98,258
(Increase) / decrease in inventories	(153,603)	294,444
Increase in other current assets	(1,712)	(4,082)
Increase / (decrease) in accounts payable and other liabilities	95,362	(15,205)
Increase in current income tax payable	6,162	17,507
Net cash provided by operating activities	**102,720**	**382,163**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and construction of property, plant and equipment	(234,440)	(203,038)
Proceeds from sale of property, plant and equipment	3,095	1,559
Purchases of investments and placement of bank deposits	(7,993)	(306,526)
Proceeds from sale of investments and loans settled	12,109	34
Loans issued	-	(128,532)
Settlement of abandoned acquisition	-	(234,000)
Net cash used in investing activities	**(227,229)**	**(870,503)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings and notes payable	481,999	262,905
Repayment of borrowings and notes payable	(460,455)	(320,770)
Capital lease payments	(16,626)	(17,647)
Dividends to shareholders	(5)	(916)
Dividends to non-controlling shareholders of existing subsidiaries	-	(4)
Net cash provided by / (used in) financing activities	**4,913**	**(76,432)**
Net decrease in cash and cash equivalents	**(119,596)**	**(564,772)**
Effect of exchange rate changes on cash and cash equivalents	29,853	(49,072)
Cash and cash equivalents at the beginning of the period	1,247,048	2,159,989
Cash and cash equivalents at the end of the period	**1,157,305**	**1,546,145**