



NLMK FY2008 US GAAP Results

Novolipetsk Steel (LSE: NLMK), the LSE-listed leading Russian steel producer, today announces its consolidated US GAAP results for FY 2008.

Key financials

	Q4 2008*	Q3 2008*	%	2008	2007	%
USD, million						
Revenue	2,058.8	3,756.3	-45%	11,698.7	7,719.1	52%
Gross profit	638.5	2,103.2	-70%	5,390.9	3,742.0	44%
Operating income	280.9	1,710.7	-84%	4,061.3	2,998.4	35%
EBITDA**	518.2	1,785.7	-71%	4,538.0	3,336.1	36%
EBITDA margin, %	25%	48%		39%	43%	
Net profit	(480.6)	1,228.6		2,278.7	2,247.3	1%
EPS	(0.0802)	0.2050		0.3802	0.3750	1%
Net debt / EBITDA	0.41	0.08	394%	0.19	0.09	105%

*FY2008 and FY 2007 are official reporting periods. Q4 2008 and Q3 2008 figures are calculated analytically

** 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.

Highlights :

- Record financial performance in 2008:

- Sales revenue increased by 52% year-on-year to USD11,698.7 million
- EBITDA grew by 36% to USD4,538.0 million; EBITDA margin reached 39%
- Net debt as of 31 December 2008 amounted to USD841.5 million

- Production and sales volumes growth:

- Crude steel production: 10.5 million tonnes, an increase of 14%
- Steel products sales: 10.3 million tonnes, an increase of 11%

Outlook

The deterioration in the steel market, which started in Q3 2008, has continued into Q1 2009. We therefore believe that our Q1 2009 revenue will reach USD1.1 billion and EBITDA margin is expected to be c.20%. Crude steel production output in Q1 2009 will increase by approximately 21% q-o-q to 2.1 million tonnes.

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

In 2008 NLMK continued to implement its Sustainable Growth Strategy

In 2008 NLMK continued to implement its strategy of maintaining its leadership in profitability in the steel sector, developing efficient vertical integration and expanding its high value-added product portfolio.

Investments

2008

In 2008, NLMK's total investment capex for its Technical Upgrade Program including 2009 maintenance capex was USD1,934.3m, an increase of 102% y-o-y.

However, due to the substantial worsening of the steel market caused by the global financial crisis and the deteriorating prospects for the steel industry in the medium term, NLMK reduced its Q4 2008 investment capex to USD486.5 million (-22% q-o-q).

2009

NLMK decided to reduce its 2009 investment and maintenance capex to USD1 billion, a decrease of 48% y-o-y, in response to the adverse global economic environment. NLMK will also mothball a number of projects previously planned to be launched or currently at their initial stages, which have a low cost of postponement. At the same time, a number of projects will be continued, including those aimed at improving product quality, raising production efficiency and increasing output of high value-added products.

NLMK will continue to invest in projects which are in their final stages where termination would entail significant costs.

The bulk of the 2009 investment capex will be allocated to NLMK's Lipetsk production site, where about USD750 million will be spent on projects including construction of a new Blast Furnace (BF) #7 and revamping of converter shop #1.

We will significantly cut our 2009 maintenance capex, now expected to reach USD200 million (40% lower y-o-y), a decrease achieved through lower production volumes and lower expenditure on purchased equipment, without an impact on current maintenance levels.

Dividends

At the Annual General Meeting held on June 7, 2008, shareholders approved a total dividend for 2007 of RUR3.0 per ordinary share. Including the interim dividend of RUR1.5 per ordinary share already paid for the first six months of 2007, the AGM approved the payment of an additional RUR1.5 per ordinary share (1 Global Depositary Share = 10 ordinary shares).

At the Extraordinary General Meeting held in September 2008, shareholders approved payment of the interim dividend for the first six months of 2008 of RUR2.0 per ordinary share, totaling USD471.3 million.

The Board of Directors will consider a final dividend for 2008 at the meeting scheduled for April 2009.

Financing

In July, NLMK successfully closed its 5-year USD1.6 billion syndicated loan facility with an interest rate of LIBOR + 1.2% p.a. The proceeds are being used to refinance existing debt and to finance NLMK's capital expenditure in line with the Technical Upgrade Program, as well as for general corporate purposes.

Acquisitions and divestures

Acquisition of Beta Steel

In October 2008, NLMK completed the acquisition of a 100% interest in Beta Steel, a U.S.-based hot-rolled steel producer, from a group of private shareholders for an all cash consideration of USD350 million, of which USD190.4 million was paid to the sellers and the balance was used to repay Beta Steel's debt. The acquisition of Beta Steel is consistent with NLMK's stated strategy of product diversification and increasing sales of finished products in its core markets.

Termination of the agreement for the acquisition of John Maneely Company

In August 2008, the Group announced that it had reached a definitive agreement (the "Merger Agreement") to acquire the U.S. based steel pipe and tube manufacturer John Maneely Company ("JMC") for approximately USD3.53 billion.

In October 2008, a lawsuit was brought against NLMK by JMC parent company, DBO Holdings, Inc. The lawsuit concerned NLMK's proposed acquisition (by way of merger) of JMC and related to disagreements concerning the rights and obligations of the parties under the Merger Agreement. In November, 2008 NLMK terminated the Merger Agreement.

In March 2009, NLMK and DBO Holdings, Inc. signed a settlement agreement stipulating full mutual release and discharge of NLMK and DBO from their claims arising from the transaction. In accordance with the terms of the settlement agreement, NLMK has paid to DBO a settlement amount of USD234 million.

Divesture of TMTP stake

In December 2008 NLMK reached an agreement to sell to a company under common control its entire stake (69.41%) in TMTP for a total consideration of USD258.2 million (RUR7,105 million or RUR1.17 per one ordinary share of TMTP). The deal was closed in January 2009.

The agreement with NLMK envisages that the company under common control will offer minority shareholders the right to acquire TMPT shares at RUR 1.17 per share on a pro rata basis in accordance with their parent company shareholding as of the transaction date.

FX hedging policy

Since 2006 NLMK has been hedging its currency risks to reduce losses arising from rouble (RUR) appreciation. In 2008 realized profit from forward and option contracts reached USD12.1 million. As of the end of 2008 the Group had unrealized forward and option contracts for the aggregate notional amount of USD2,327.5 million with the fair value of -USD495.5 million.

The financial result of the forward FX position in 2009 will depend on movements in the RUR/USD and RUR/EUR exchange rates.

Production cuts

In response to the sharp decline in steel demand caused by the global economic crisis and the significant drop in steel prices in H2 2008, management decided to significantly reduce steel output. Production cutbacks involved idling blast furnace #3 in October 2008 and blast furnaces #2 and #4 in November 2008 at the main production site in Lipetsk. Those measures resulted in a 40% q-o-q decrease in steel production in Q4 2008 to 1.4 million tonnes.

In November 2008, NLMK decided to accelerate the decommissioning of two coke batteries with a combined capacity of c.1 million tonnes per year at its main production site. NLMK's production plans entailed decommissioning of these coke batteries by 2010.

Subsequent events

In February 2009, NLMK decommissioned another two coke batteries with a combined capacity of c.0.7 million tonnes per year at its main production site. The Company remains 100% self-sufficient in coke, all requirements for which will be met by supplies from coke production facilities at the Lipetsk site and from its 100%-owned subsidiary Altai-koks.

As a result of certain recovery in steel demand and prices driven by re-stocking by traders and end-customers, as well as lower production costs resulting from the raw materials prices adjustment, NLMK restarted previously idled blast furnaces #2 and #3.

CFO comments:

Ms Galina Aglyamova, Chief Financial Officer, said:

«I am pleased to report a very successful performance in the full year 2008, with revenues reaching a record USD11.7 billion (+52% y-o-y) and operating profit of USD4.1 billion (+35% y-o-y). During a healthy 9M 2008 we took full advantage of growing prices and additional production volumes from organic growth and recent acquisitions.

However, at the end of Q3 we witnessed a drop in sales prices, as a result of a global financial crisis and drastic decline in demand. As the global economy continued its slowdown, in Q4 we witnessed a further decline in demand for our products and had to face substantial sales decline as well as price deterioration. In Q1 2009 we see its ongoing impact on demand and on prices.

NLMK has responded quickly to the changing environment with a drastic cut in production volumes, primarily in the low value added products segment. We also implemented significant cuts to both the Q4 and 2009 capex programs. It is worth mentioning that despite the short-term alterations to our capex programme, our long-term development plans remain unchanged: we will remain committed to our sustainable growth strategy with the upgrade of production capacities and value enhancing M&A. We will maintain our financially conservative approach, in order to enable the company to weather any market turmoil.

Outlook

In 2009, we expect a significant year-on-year decrease in revenue due to lower sales volumes and price environment deterioration. We anticipate that production volumes will reach 10 million tonnes of steel. We will aim at maintaining high profitability driven by management performance improvement initiatives, and supported by lower raw materials prices and ruble devaluation».

Comments

Global steel market overview

The global economic slowdown, which started in H2 2008, led to a slump in demand for steel products, and, consequently, lower prices and sales volumes. Nevertheless, we are confident that this slowdown is cyclical in nature, that the downturn will give way to an upturn and that the steel sector remains attractive for investors in the long term.

We do not foresee that Q1 2009 will bring significant positive changes to the steel market. The revival may start in H2 2009 driven by unprecedented stimulus measures undertaken by the world's leading nations in order to enhance, in the long run, capital investment and economic growth. Nevertheless, we recognize that government-led initiatives will not have immediate effect and will take time to bring benefits to the global economy.

Company's response to the crisis

NLMK enjoys world class, efficient production assets, a high level of vertical integration and has reinforced its position as one of the world's most highly efficient steel producers. The company boasts a financially sound position and low debt amounting to USD841.5 million. To be successful in 2009 we will focus on reducing production costs, using our own raw materials, pursuing a flexible purchasing and sales policy, lowering SG&A and optimizing working capital. In addition, the company will gradually reduce its workforce through offering retirement and curbing new employment.

Our priority is to ensure a timely response to fluctuations in demand by adjusting production volumes and gaining exposure to new sales markets, as well as by higher utilization of the capacities through increased supplies of semi-finished products to our own rolling facilities.

Consolidated financial results

Revenue

In 2008 the company enjoyed record sales revenue, amounting to USD11.7 billion (+52% y-o-y). The key drivers behind this strong financial performance were:

- A favourable market conditions during the first three quarters, with steel prices at an all-time high
- Increased output
- Consolidation of Maxi-Group, trading companies and Beta Steel.

In Q4 2008 sales revenue reached USD2,058.8 million (-45% q-o-q). The sharp decrease was attributable to lower demand, lower sales primarily for low value added products and a slump in prices across NLMK's product mix.

In Q4 2008, as with the steel division, the Group's other divisions also showed a drop in financial performance.

Production costs

2008 production costs amounted to USD5.8 billion (+63% y-o-y). The major drivers escalating costs in 2008 were: increased production volumes and higher prices for raw materials, primarily coking coal and scrap. The proportion of coking coal and coke grew to 32% of total production costs (27% in 2007). The total consumption by the parent company amounted to 5.1 million tonnes of coking coal. Altai-Koks consumed 4.7 million tonnes of coking coal to produce coke, of which 26% was supplied to NLMK. Group companies purchased coking coal at about USD 175 per tonne (EXW, VAT excluded), approximately double the average 2007 price.

Further, 2008 costs increased due to the higher cost of scrap. The share of scrap in the cost structure grew from 7% to 17%, mainly due to the consolidation of Maxi-Group businesses throughout 2008 and soaring scrap prices.

In Q4 2008 production costs dropped to USD1.3 billion (-14% q-o-q). The decrease was mainly attributable to a sharp production cut in Q4 and to the ruble devaluation.

These factors coupled with a plunge in raw materials prices had the positive effect of decreasing Q1 2009 production costs. In Q1 2009, the production cost will be approximately USD240 per tonne of slab (amortization and depreciation excluded).

SG&A

SG&A in 2008 totaled USD1,329.6 million (+79% y-o-y). Expenses grew due to the consolidation of Maxi-Group from December 2007, trading companies from May 2008 and NLMK's switching to FOB terms in export contracts in Q1 2008, as well as Q4 goodwill impairment amounting USD128.4 million.

In Q4 2008, SG&A fell to USD357.6 million (-9% q-o-q), a drop caused by lower sales volumes and ruble devaluation.

Operating profit

Operating profit for the full year 2008 amounted to USD4,061.3 million (+35% y-o-

y). The strong growth is attributable to high production efficiency, strict costs control and the significant share of high value added products in the sales structure. The operating profit margin was 35%, 4 percentage points lower y-o-y due to weak Q4 2008 when operating profit dropped to USD280.9 million (-84% q-o-q).

Income tax

Income tax reached USD703.5 million (-16% y-o-y). The effective tax rate in 2008 decreased to 22.5% driven by a reduction of corporate income tax from 24% to 20% from January 1, 2009 (achieved through deferred taxes) and a reduction of dividend tax from 9% to 0% from January 1, 2008.

EBITDA

FY2008 EBITDA reached USD4.5 billion, 36% growth y-o-y. EBITDA margin reached 39%, down 4 percentage points y-o-y as a result of the consolidation of the companies with lower margins.

In Q4 2008, EBITDA amounted to USD518.2 million, a decrease of 71% q-o-q.

Net profit

In 2008 the company achieved a record net profit of USD2.3 billion. This accounts for USD653.3 million negative value of unrealized currency forward and options contracts and USD234 million settlement amount paid under the settlement agreement between NLMK and DBO Holdings.

The interest cover ratio (profit before tax and interest: total interest payable) in 2008 amounted to 15.4.

Share in the losses of Steel Invest and Finance S.A. (Duferco JV), recognized by the Group in FY2008 increased to USD151.2 million, three times 2007 level. The main reasons for the increase were the deterioration in market conditions from H2 2008 onwards and recognition of losses related to stock revaluation amounting Euro 200 million.

Consolidated balance sheet

As of 31 December, 2008 the Group's assets totaled to USD14,064.5 million, a 8% increase compared to 31 December, 2007.

Share of shareholders equity in the Group's liabilities as of 31 December, 2008 amounted to 62%, a decrease of 7 percentage points year-on-year.

Net debt as of 31 December, 2008 reached USD841.5 million (an increase of USD539.8 million or 179% y-o-y). Lower shareholder equity share in liabilities and higher net debt resulted from increased borrowing in Q3 2008 through a USD1.6 billion 5-year Pre-export Finance Facility bearing an interest of LIBOR + 1.2% p.a.

Cash and cash equivalents as of the end of 2008 rose to USD2,160.0 million, a y-o-y increase of 87%.

The FY2008 Net debt/EBITDA ratio reached 0.19. Long-term liabilities make up 64% of the Company's debt. Short-term liabilities are distributed evenly

throughout 2009. The bulk of the Company's short-term debt is ruble denominated.

Working capital grew by 22% and amounted to USD5,346.1 million. This growth is attributable to increased amount of cash and inventories.

Accounts payable increased due to recognition in «Other costs» of the fair value of the unrealized currency forward and options contracts of the Group amounting to USD495.5 million and due to the increase in settlement terms with suppliers and subcontractors.

Accounts receivable reached USD1,487.8 million, a decline of 12% y-o-y, mainly caused by a decrease in advance payments to suppliers driven by working capital optimization. Bad debt provisions grew by 11% and reached USD271.1 million. The provision augmented due to worsened liquidity conditions in Q4 2008, impacting the Group's debtors and their ability to pay debts on time.

Inventories grew by USD319.3 million rising to USD1,555.8 million due to stockpiling of unsold products resulting from the switch in Q1 2008 to new delivery terms. However, growth in inventories was offset by lower level of accounts receivable, particularly by advance payments. Provision for inventories impairment increased USD83.8 million, two times higher than in 2007.

Return on Assets (ROA) in FY2008 was 17%, while Return on Equity (ROE) reached 26%.

Cash flow

The favorable pricing environment, consolidation of trading companies, changes in operating assets and liabilities and other factors in FY2008 contributed to operating cash flow of USD2,780.8 million.

In the course of the consolidation of the international trading companies, a one-off change in the Group's operating assets and liabilities occurred, with the reflection of corresponding effects in operating activities in the cash flow statement. Receivables from the traders as at the date of the acquisition of USD417.8 million were recorded as cash flow from investment activities less cost related to traders' acquisition, with the corresponding decrease in operating cash flow.

FY2008 cash outflow from investment activities was USD2,398.6 million. It was used for the acquisition and construction of property, plant and equipment (PPE) amounting to USD1,934.3 million.

In Q1 2008, the initial payment of USD299.9 million for the acquisition of shares in Maxi-Group was made. As of now, the settlement with Maxi-Group sellers have not yet been finalized. Management's best estimate of the fair value of the stake in Maxi-Group is USD299.1 million (FX rate at ownership transfer date).

In Q2 2008 NLMK group acquired the trading companies *Novexco Limited* and *Novex Trading S.A.* for USD119.9 million.

In Q4 2008 the Company acquired Beta Steel, US-based steel producer for USD350 million.

In FY2008 the parent company spent USD170.4 million for the buy-out of minority shareholders' interests in its subsidiaries as well as for the acquisition of new

subsidiaries. As of the end of FY2008, NLMK owns 100% of shares in the key raw materials assets of the Group: Stoilensky GOK, Stagdok, Dolomit, and Altai-Koks.

Net cash received from financial activities in FY2008 amounted to USD798.7 million. Cashflow received from financial activities mainly comes from the PXF facility. Inflow from the TMTP disposal in 2008 was USD258.2 million.

USD842.8 million is allocated for dividend payments to shareholders.

Net cash increase for the period was USD1,180.9 million. Cash and cash equivalents as of the 2008 year end totaled USD2,160.0 million.

Steel segment

USD, million	Q4 2008	Q3 2008	%	2008	2007	%
Revenue from external customers	1,835.8	3,109.0	-41%	9,642.9	6,946.1	39%
Revenue from intersegmental operations	26.5	63.8	-58%	242.7	24.4	10 a
Gross profit	616.2	1,434.0	-57%	4,039.9	2,891.8	40%
Operating profit	436.4	1,185.1	-63%	3,227.1	2,362.8	37%
Profit before minorities	(66.0)	803.6		2,668.4	1,772.5	59%

The Group's financial performance is largely defined by the performance of the steel segment comprising NLMK, VIZ-Stal (a producer of electrical steel), DanSteel A/S (a plates producer), Beta Steel (since October 2008, US-based steel and flats producer), trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland (since May 2008) as well as a number of service companies.

In FY 2008, the steel segment companies produced 8.6 million tonnes of steel (-6% y-o-y), 3.1 million tonnes of commercial slabs (-2% y-o-y) and 5.0 million tonnes of rolled products (-6% y-o-y), 60% of which are high value added products (cold-rolled, electric and pre-painted steel). In November-December 2008, Beta Steel produced 0.05 million tonnes of slabs and sold 0.02 million tonnes of rolled products.

FY2008 revenue from external customers amounted to USD9,642.9 million, which is 39% higher y-o-y. Operating profit was USD3,227.1 million (+37% y-o-y). The increase in headline numbers came on the heels of a growth in prices and sales volumes during the first nine months of 2008.

Profit before minorities grew on a y-o-y basis by USD1,047.9 million (59%) due to larger dividend volumes received from NLMK's subsidiaries in FY2008.

Q4 lower financial results are attributable to sharp decrease in demand and the related plunge in prices for steel products coupled with soaring prices on basic raw materials.

Long products segment

USD, million	Q4 2008	Q3 2008	%	2008	2007	%
Revenue from external customers	58.3	363.1	-84%	1,178.2	62.3	19x
Revenue from intersegmental operations	139.8	286.6	-51%	658.5	0.0	
Gross profit	(28.4)	237.3		532.4	8.8	61x
Operating profit	(173.7)	127.1		177.4	1.6	114x
Profit before minorities	(373.0)	122.2		(206.8)	(31.8)	7x

The Long products segment includes Maxi-Group companies consolidated by the Group from December 2007.

The core activities of these companies are scrap collection and processing, steel-making and long products and metal-ware production.

In FY2008 Maxi-Group companies produced 1.9 million tonnes of steel, 0.5 million tonnes of billets, 1.2 million tonnes of long products, and 0.1 million tonnes of metal-ware. Total FY2008 volumes of Maxi-Group ferrous and non-ferrous scrap sales amounted to 2.7 million tonnes, including 1.9 million tonnes sold within Maxi-Group. Also Maxi-Group supplied scrap to the parent company, totaling 0.7 million tonnes in 2008.

FY2008 revenue from external customers amounted to USD1,178.2 million, a 19-times y-o-y growth, while operating profit reached USD177.4 million (114 times increase).

In Q4 2008 Maxi-Group made 0.3 million tones of steel (-41% q-o-q), 0.1 million tonnes of billet (-60%), 0.2 million tonnes of long products (-30%) and 0.03 million tonnes of metal-ware (-1%).

In view of the worsened situation on the scrap and long products market long products segment Q4 financial results are lower compared with Q2 and Q3 2008. Maxi-Group Q4 revenue reached USD58.3 million, operating loss, including goodwill impairment in the amount of USD128.4 million, reached USD173.7 million, losses before minorities – USD373.0 million.

Mining segment

USD, million	Q4 2008	Q3 2008	%	2008	2007	%
Revenue from external customers	12.2	9.5	28%	62.9	105.4	-40%
Revenue from intersegmental operations	121.6	257.3	-53%	870.3	783.4	11%
Gross profit	86.1	172.6	-50%	611.8	588.2	4%
Operating profit	74.2	158.7	-53%	548.5	523.2	5%
Profit before minorities	89.5	126.8	-29%	485.0	443.1	9%

During FY2008 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 the reporting period, Stoilensky GOK, the principal mining company within the Group, produced 11.5 million tonnes of iron ore concentrate and 1.6 million tonnes of sinter ore.

Lower sales volumes of key products to third parties resulted in y-o-y decrease in revenue from external customers to USD93.1 million.

However, FY2008 revenue from inter-segmental transactions grew by 11% y-o-y and amounted to USD870.3 million triggered by higher sales volumes and iron ore price.

As 90% of sales of the Mining segment are made within the Group, the segment's share in the FY2008 consolidated revenue is less than 1%.

In Q4 2008 Stoilensky GOK produced 2.5 million tonnes of iron ore concentrate (-16% q-o-q) and 0.3 million tonnes of sinter ore (-32% q-o-q).

Generally, in the first three quarters of 2008 the mining segment had stable financial performance. In Q4 profit indicators went down due to lower sales volumes, as the parent company cut the production.

Coke-chemical segment

USD, million	Q4 2008	Q3 2008	%	2008	2007	%
Revenue from external customers	132.3	253.4	-48%	731.8	517.3	41%
Revenue from intersegmental operations	16.9	175.2	-90%	415.4	167.4	y 2 times
Gross profit	(46.2)	120.0		202.6	205.7	-2%
Operating profit	(73.8)	87.9		88.4	113.6	-22%
Profit before minorities	(29.4)	67.1		78.4	78.8	0%

The Coke-chemical segment comprises Altai-Koks and its subsidiaries. Altai-Koks is one of the largest Russian coke producers with FY2008 output of 3.3 million tonnes of dry coke.

In FY2008 sales volumes of Altai-Koks amounted to 3.2 million tonnes of coke, a decrease of 7% y-o-y. Sales to NLMK grew by 13% to 0.9 million tonnes. Export sales amounted to 1.7 million tonnes of coke, a y-o-y decrease of 0.1 million tonnes.

Revenue from external customers amounted to USD731.8 million, a growth of 41% y-o-y, helped along mainly by an increase in coke prices.

After the decommissioning of the four coke-batteries, the Parent company's blast furnace requirements will be covered by coking facilities of the main production site in Lipetsk (2.7 million tonnes), and by larger supplies from Altai-Koks (4.6 million tonnes).

In Q4 2008, Altai-Koks produced 0.6 million tonnes of coke (-37% q-o-q). The q-o-q lower revenue is attributable to decrease in sales volumes and prices. Q4 financial results were negative as the coke-chemical products prices fell faster than purchasing prices on coal concentrate.

Others

USD, million	Q4 2008	Q3 2008	%	2008	2007	%
Revenue from external customers	20.1	21.3	-6%	82.8	88.0	-6%
Revenue from intersegmental operations	1.9	1.9	-3%	6.3	41.9	-85%
Gross profit	9.4	11.5	-18%	41.6	48.6	-14%
Operating profit	5.5	5.1	6%	31.3	4.7	7x
Profit before minorities	3.8	2.2	67%	21.8	155.6	-86%

Other operating segments primarily include three operational units with operating results not exceeding the materiality threshold. These segments include commercial seaport services, financial services, including banking (in H1 2007) and insurance as well as coal mining and beneficiation by the Prokopievskugol Group (in Q1 2007).

In FY2008 the growth of the other segments operating profit of USD31.3 million is explained by the negative impact Prokopievskugol had in Q1 2007.

In 9M 2007 a profit before minorities of USD155.6 million was received by these segments mainly due to fact that Prokopievskugol's debt was written off in the course of debt restructuring.

The full version of *consolidated financial statements* (US GAAP) for FY2008 can be found on the website at: www.nlmksteel.com

Reference information

- (1) [NLMK Group US GAAP FY2008 financial statements](#)
- (2) [US GAAP FY2008 financial statements presentation](#)

About NLMK

Novolipetsk Steel (LSE: NLMK) is one of the world's leading producers of steel, with 2008 revenue exceeding USD11 billion, output over 10.5 million tonnes. The key production facilities located in Russia, the EU and USA employ 60,000 people.

The company produces a wide range of steel products, including slabs and billets, hot-rolled, cold-rolled, galvanized and electrical steel and other HVA products. In 2008 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.

Financial calendar

April 15, 2009	Trading Update Q1 2009
April 13 - 24, 2009	Meeting of the Board of Directors 2008 dividend recommendation and notice of the Annual General Meeting for shareholders
May 25 - 31, 2009	Release of Q1 2009 Consolidated Financial Results (US GAAP)
June 1 - 12, 2009	Annual General Meeting of Shareholders
July 15, 2009	Trading Update Q2 2009
August 24 - 30, 2009	Release of H1 2009 Consolidated Financial Results (US GAAP) Conference Call Analyst Meeting
October 15, 2009	Q3 2009 Trading Update
November 23 - 27, 2009	Release of 9M 2009 Consolidated Financial Results (US GAAP)

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