

# Press-release

07 December 2009

Novolipetsk Steel

## NLMK 9M 2009 US GAAP Results

Novolipetsk Steel (LSE: NLMK), the LSE-listed leading Russian steel producer, today announces its consolidated US GAAP results for the first nine months of 2009.

### Key financials

| USD, million        | Q3<br>2009* | Q2<br>2009 | Change<br>% | 9M<br>2009 | 9M<br>2008 | Change<br>% |
|---------------------|-------------|------------|-------------|------------|------------|-------------|
| Sales revenue       | 1,739       | 1,293      | 35%         | 4,325      | 9,640      | -55%        |
| Gross profit        | 610         | 371        | 64%         | 1,304      | 4,752      | -73%        |
| Operating profit    | 340         | 105        | 222%        | 545        | 3,780      | -86%        |
| EBITDA**            | 486         | 234        | 107%        | 917        | 4,020      | -77%        |
| EBITDA margin (%)   | 28%         | 18%        |             | 21%        | 42%        |             |
| Net (loss)/profit   | 164         | -49        |             | -79        | 2,759      |             |
| Operating cash flow | 324         | 545        | -41%        | 1,251      | 1,888      | -34%        |
| Net debt            | 761         | 737        | 3%          | 761        | 587        | 29%         |
| Net debt/LTM EBITDA | 0.5         | 0.3        |             | 0.5        | 0.1        |             |

\* 9M 2009, H1 2009 and 9M 2008 are official reporting periods. Q3 2009 and Q2 2009 figures are derived by computational method. This assumption is related to calculation of segmental financial results.

\*\* EBITDA reconciliation is presented at p. 14

### 9M 2009 operating highlights:

- Steel production: 7.7 million tonnes (-12% year-on-year);
- Sales: 7.8 million tonnes (-7% year-on-year).

### Outlook

Q4 2009 steel production is expected to reach 2.8 million tonnes, a 4% decline quarter-on-quarter. While the EBITDA margin is expected to decline to 25% driven by higher prices for raw materials.

We confirm our forecast for NLMK's steel production in 2009 to reach 10.5 million tonnes. We expect that strong sales and improved financial performance in the H2 2009 result in a FY2009 EBITDA margin of 22-25%.

#### 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

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*In the stronger price and demand environment NLMK has demonstrated ability to preserve low production costs and improve output and financial results. High profitability was mainly attributed to the effective cost management and flexible sales strategy. Timely short term debt restructuring will further enhance our strong financial position.*

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### Increase in production and sales volumes

The demand for steel in the third quarter was at a historically high level for NLMK. The Group successfully used its competitive advantages and the partial recovery on the main markets to increase its Q3 2009 steel production volumes by 11% quarter-on-quarter and 3% above Q3 2008.

Q3 2009 sales volume grew 20% year-on-year, while 9M 2009 sales volumes totaled 8.3 million tonnes, 7% down year-on-year. The growth in sales volumes in Q3 2009 is mainly driven by improved demand in both domestic and export markets, and by a contribution of Beta Steel which is consolidated as of Q4 2008. Q3 2009 sales volume reached its maximum levels with 40% growth quarter-on-quarter.

Slab sales totaled 1,049 thousand tonnes in Q3 2009, a 28% increase quarter-on-quarter. This growth was to a large extent attributed to deliveries to Steel Invest and Finance (NLMK - Duferco JV) which grew 71% to 338,000 tonnes in Q3 2009.

Sales of rolled products rose 29% and amounted to 1.39 million tonnes. This was partly due to a slight recovery in both local and international demand for the whole product range. Demand in developed countries grew, thereby increasing the proportion of sales generated by NLMK in these markets.

In Q3 2009 the utilization rate of VIZ-Stal (a transformer steel producing plant) increased to 70% mainly attributable to improved demand for transformer steel. Growth of the utilization rate at VIZ-Stal coupled with the restart of production at the transformer steel plant in Lipetsk led to a sequential increase in output and sales by 50% and 5% respectively.

In Q3 2009 our long products sales grew by 30% quarter-on-quarter due to improved demand on the domestic market and growing share of exports. The long products division's financial performance improved driven mostly by sales and prices growth as well as by an increased share of high-value added products.

Beta Steel performance in Q3 2009 also improved with sales doubling quarter-on-quarter. This was primarily due to growing demand from tube and pipe makers and service centers. The capacity utilization of the plant grew to around 90% in the third quarter.

### Investments

During the third quarter 2009 the Company continued implementation of the Technical Upgrade Program with the main goals to increase of crude and rolled

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steel output, raise product quality, improve production efficiency and increase the output of high value-added products. In 9M 2009, total investments, including maintenance capex reached USD708 million, down 51% year-on-year.

The Group continues with its main investment projects including the construction of a new Blast Furnace #7, modernization and expansion of its steelmaking operations (construction of vacuum degasser, ladle-furnace, etc.) , construction of pre-painting line №3 and the projects to further increase energy self sufficiency at the main production plant.

In Q3 the Company successfully completed an upgrade of the transformer steel shop at the main production site in Lipetsk. A new hot deep galvanizing line #4 with a total annual capacity of 300,000 tonnes is being hot-tested to be commissioned in the near future.

The Group continues the construction of its EAF mini-mill in Kaluga region (some 100 kilometers from Moscow).

FY2009 investment capex (excluding maintenance) is expected to be above USD1 billion, but still 50% lower year-on-year.

### **Debt restructuring**

NLMK continued to implement its policy targeted at decreasing overall interest expenses benefiting from the favorable conditions in the financial markets and the Company's solid cash position.

As a result the Company's total debt has contracted by nearly 16% since the start of the year. Loan restructuring allowed the Group to reduce Q3 2009 interest expenses by 36% quarter-on-quarter.

### **FX hedging policy**

Since 2006 NLMK has been hedging its currency risks to reduce losses arising from the appreciation of the ruble (RUR).

As of the end of 9M 2009, the Group had unrealized forward contracts for an aggregate notional amount of USD887 million, with a fair value of –USD153 million.

The major quarter-on-quarter decrease of the fair value of unrealized forward contracts in Q3 2009 is due to a decline in the notional amount, as the forward contracts were fulfilled during the quarter and further strengthening of RUR against EUR and USD occurred during the quarter.

The financial result of the forward FX position in 2009 will depend on movements in the RUR/USD and RUR/EUR exchange rates. No FX hedging contracts for 2010 were concluded.

### **Steel Invest and Finance S.A. (NLMK - Duferco JV)**

In 9M 2009 the net loss of Steel Invest and Finance S.A. was USD344 million resulting mainly from one-off items such as revaluation of inventory accumulated in the beginning of the year as well as from the low capacity utilization.

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During the nine months of 2009, NLMK granted a USD334 million loan to Steel Invest and Finance S.A. and its subsidiary to finance its current operations and increase working capital. Proportional financial support is also provided by the joint venture partner, Duferco Group.

### Subsequent events

#### *Bonds issue*

On the 30 October OJSC NLMK closed the order book for its first installment of the bond issue with 3 years maturity and total amount of RUR10 billion. The bond's annual coupon rate was set at 10.75%.

### CFO comments

Ms Galina Aglyamova, Chief Financial Officer, said:

“In the third quarter of 2009 the global economic environment allowed NLMK to increase sales both in the domestic and export markets.

The management efforts aimed at further improvement of the production efficiency of our assets, control over raw materials prices and an active sales strategy helped us to increase the EBITDA margin to 28%.

Q3 2009 operating cash flow amounted to USD324 of which USD74 million was received from further working capital release.

In Q3 2009 cash cost was USD199 per tonne of steel produced demonstrating a sequential decrease driven mainly by stable raw materials prices, continuous management efforts to increase production efficiency and supported by high capacity utilization at our production facilities.

The Company has a low level of debt and strong liquidity position. Debt ratios are in line with covenants, providing us a substantial safety margin.

Further short term debt restructuring including the bonds issuance will contribute to lower interest payments.

Given the production and sales cycle we believe that our financial performance for Q4 2009 will to a large extent reflect the favorable market environment observed in Q3 2009.

We confirm our previous outlook for the 2009 production which is expected to remain flat year-on-year basis reaching 10.5 million tonnes”.

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## CONSOLIDATED FINANCIAL RESULTS

### *Consolidated income statement*

#### *Sales revenue*

In 9M 2009 the sales revenue of the Group reached USD4,325 million, a 55% decrease year-on-year. This decline is attributable to the weak market environment started from the end 2008. However a recovery in production and sales volumes through Q3 2009 to pre-crisis levels helped to improve overall 9M 2009 performance.

Q3 2009 sales revenue exceeded the previous quarter by 35% reaching USD1,739 million. During the quarter the Group increased sales volumes in practically all its core markets exceeding the pre-crisis level.

#### *Production costs*

9M 2009 production costs (excluding depreciation and amortization) amounted to USD2,673 million (-41% year-on-year). The decline in expenses was mostly attributable to lower raw material prices from third parties as well as to cost reduction measures that were partially offset by the inventories accumulated in high pricing environment of the last year.

Q3 2009 production costs grew by USD207 million (+26% quarter-on-quarter) while the sales volume increased by 37%. Our approach in planning for raw material purchases and higher utilization rates allowed us to maintain Q3 2009 production cost of 1 tonne of steel slightly below the previous quarter level decreasing it from USD203 in Q2 2009 to around USD199.

#### *SG&A*

9M 2009 SG&A dropped by 22% year-on-year. This decrease was mainly driven by lower sales volumes and management initiatives directed to reduce overall administrative and general expenses. In Q3 2009 the Group managed to keep its SG&A costs of USD270 million nearly flat with a 2% increase quarter-on-quarter despite a 30% growth in sales volumes. This was mainly achieved through the implementation of cost reduction initiatives by the management.

#### *Operating profit*

Operating profit for the first nine months of 2009 was USD545 million, down 86% year-on-year. The operating profit margin declined to 13%, a 27 p.p. decrease year-on-year.

However in Q3 2009 the Company improved its operating profit by 3.2x quarter-on-quarter, and the operating profit margin reached 20%. This improvement is mainly attributable to an increase in sales volumes and prices, and lower production costs.

#### *Interest expenses*

In 9M 2009 interest expenses arising from the loans held on the balance sheet totaled USD132 million. The replacement of expensive debt allowed the Company to reduce interest expenses from USD54 million in Q1 2009 to USD31 million in Q3 2009. This reduction in interest expenses is mainly attributable to a refinancing of high cost short term debt the Long products segment.

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### *Net FX gain/loss*

In 9M 2009, the net FX loss amounted to USD78 million. The Company's Q2 and Q3 2009 FX gain totaled USD12 million and USD23 million respectively. This is mainly attributable to the revaluation of the fair value of the forward contracts during the quarter as well as other FX gains received by the Group.

### *EBITDA*

9M 2009 EBITDA totaled USD917 million, a 77% decrease year-on-year, and 9M 2009 EBITDA margin was 21%, a 21 p.p. decline year-on-year.

Q3 2009 EBITDA demonstrated more than 100% growth reaching USD486 million. The Q3 2009 EBITDA margin improved by 10p.p. to 28%.

This increase was mainly driven by growth in sales volumes, prices and further reduction in costs per tonne.

### *Net loss*

In 9M 2009 the Company incurred a net loss amounting to USD79 million, which was mainly attributable to the recognition of a share in the losses of the joint venture company Steel Invest and Finance S.A. that reached USD344 million.

Significant growth in Q3 2009 operating profit allowed the Group to improve its performance on a bottom line level resulting to Q3 2009 net profit of USD164 million. Q3 2009 net profit margin improved to 9%.

### ***Consolidated balance sheet***

As of 30 September 2009 the Group's assets totaled USD12,450 million, a 11% decrease compared to 31 December, 2008. The key factors contributing to this decline were the change in the RUR/USD exchange rate, a significant decrease in working capital driven by lower raw material prices and work-in-progress.

These factors along with the reduction of debt burden resulted in a Shareholder's equity share growth to 68%, a 6 p.p. from the beginning of the year.

Net debt as of 30 September 2009 totaled USD761 million (a 10% decrease comparing to the 2008 year end). Net debt declined due to the repayment of loans during the first nine months of 2009 according to the debt payment schedule and stable cash flow generated by the Group during the period.

The 9M 2009 net debt/LTM EBITDA ratio reached 0.5. Long-term liabilities make up 61% of the Company's debt.

Current assets fell by 28% and amounted to USD3,854 million, which is attributable to lower volume of receivables, inventories, cash and cash equivalents.

The accounts receivables reached USD908 that is 39% lower than at the 2008 year end. The decrease was driven by receivables settlements and lower prices.

Inventories fell by 32% and totaled USD1,052 million. This decline is largely driven by lower prices for raw materials, as well as contraction of work-in-progress and finished products inventories.

Accounts payable decreased by USD882 million and reached USD997 million. This was caused by recognition in *Other creditors* as of 31 December 2008 of the pre-

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payment by the company under the joint control for the shares of TMTP (Tuapse sea port company) amounting USD242 million and the settlement amount paid to DBO *Holdings Inc.* of USD234 million.

### ***Cash flow statement***

#### *Operating cash flow*

Operating cash flow in 9M 2009 amounted to USD1,251 million, down 34% year-on-year, influenced by changes in working capital.

The Group released USD421 million from the decrease in inventories, additional USD504 million were released from the decrease in accounts receivable. Changes in other operating assets and liabilities as well as accounts payable contributed additional USD52 million to operating cash flow.

#### *Cash flow from investment activity*

The 9M 2009 total cash outflow from investment activities was USD1,274 million. For the acquisition and construction of property, plant and equipment (PPE) the Company allocated USD708 million.

USD234 million was paid by NLMK under the settlement agreement with DBO Holdings Inc.

9M 2009 financial investments amounted USD511 million, these are mostly short term deposits in Russian state-owned banks and foreign banks. In Q3 2009 a bulk portion of deposits were released to settle the Company's debts (see cash flow from financing activities).

In 9M 2009 NLMK granted a USD334 million loan to Steel Invest and Finance S.A. (NLMK – Duferco JV) and its subsidiary. Duferco Group, NLMK's partner in the joint venture, also provides the financial support to the joint venture.

#### *Cash flow from financial activities*

Net cash used in financial activities in 9M 2009 amounted to USD480 million.

In the reporting period the Group actively optimized its debt portfolio. Its short term debt that bears high interest rates was being refinanced and partially repaid which resulted in a cash outflow of USD440 million allocated for settlements.

The Group's cash position as at 30 September 2009 amounted to USD1,642 million, representing a USD518 million decline as compared to the beginning of 2009. As of the end of the reporting period an aggregate of the cash and cash equivalents capture and short-term investments stood at USD1,768 million.

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### Steel segment

| USD, million                           | Q3<br>2009 | Q2<br>2009 | %    | 9M<br>2009 | 9M<br>2008 | %    |
|--|------------|------------|------|------------|------------|------|
| Revenue from external customers        | 1,492.7    | 1,078.8    | 38%  | 3,707.8    | 7,807.1    | -53% |
| Revenue from intersegmental operations | 32.4       | 24.1       | 35%  | 74.8       | 216.2      | -65% |
| Gross profit                           | 469.6      | 272.2      | 73%  | 1,009.5    | 3,423.7    | -71% |
| Operating profit                       | 262.9      | 73.7       | 257% | 427.9      | 2,790.7    | -85% |
| Profit/(loss) before minorities        | 290.3      | 569        | -49% | 796.4      | 2,886.4    | -72% |

The Group's financial performance is largely defined by the performance of the steel segment, which comprises Novolipetsk (Lipetsk production plant), VIZ-Stal (a producer of transformer steel), DanSteel A/S (a thick plates producer), Beta Steel (a US-based steel and flats producer, consolidated since October 2008), trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland (since May 2008), as well as a number of service companies (Logistics company NTK and Trading House NLMK).

During 9M 2009, the steel segment companies produced 6.4 million tonnes of steel (-10% year-on-year ), including 2.4 million tonnes of commercial slabs (-7% year-on-year ) and 3.7 million tonnes of flat products (-12% year-on-year ). Beta Steel Corp. sold 0.266 million tonnes of rolled products while its production volume was at 0.272 million tonnes.

Independent Transportation Company (NTK) transported 37.8 million tonnes of cargo (an 5.5% decrease year-on-year), 90% of this volume being the cargo of NLMK Group. This company, which has 4,900 units of owned and leased rolling stock, allows the Group to increase its self-sufficiency in logistics and decrease transportation costs.

9M 2009 revenue from external customers amounted to USD3,708 million, which was 53% lower year-on-year . Operating profit was USD428 million (-85% year-on-year ). The year-on-year decrease in the financial performance is driven by the sharp decline in prices and sales volumes attributable to weaker demand.

In Q3 2009 the segment's revenue and gross profit grew by 38% and 73% accordingly, due to improving market situation.

In Q3 2009 profit before minorities exceeded operating profit which is largely attributable to the dividend payments accrued by the Parent company from its subsidiaries.

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### Long products segment

| USD, million                           | Q3<br>2009 | Q2<br>2009 | %    | 9M<br>2009 | 9M<br>2008 | %     |
|--|------------|------------|------|------------|------------|-------|
| Revenue from external Customers        | 181.7      | 130.1      | 40%  | 414.3      | 1,119.9    | -63%  |
| Revenue from intersegmental operations | 111.2      | 63.5       | 75%  | 224.4      | 518.7      | -57%  |
| Gross profit                           | 19.7       | 14.8       | 33%  | 40.8       | 560.8      | -93%  |
| Operating profit /(loss)               | (5.7)      | (29.5)     | -81% | -60.9      | 351.1      | -117% |
| Profit/(loss) before minorities        | (54.1)     | (66.0)     | -18% | -217.3     | 166.1      | -231% |

The Long products segment includes financial performance of the long products division comprised of the following companies: NSMMZ, UZPC, Uralvtorchermet, etc. The core activities of these companies are scrap collection and processing, steel-making and long products and metal-ware production.

During 9M 2009 the companies produced 1.3 million tonnes of steel (a 19% decrease year-on-year ) which includes 0.2 million tonnes of billets, 0.9 million tonnes of long products, and 0.15 million tonnes of metal-ware. Total 9M 2009 volumes of the Companies' ferrous and non-ferrous scrap sales amounted to 1.8 million tonnes, including 1.1 million tonnes sold within the segment.

9M 2009 revenue from external customers amounted to USD414 million (a 63% decrease year-on-year ), while the operating loss reached USD61 million against the operating profit of USD351 million a year ago. The segment's lower 9M 2009 financial performance is mainly attributable to a weaker pricing environment during the period coupled with lower sales volumes.

Q3 2009 revenue from external customers demonstrated a sequential growth of 40% (quarter-on-quarter) driven mostly by higher prices and sales volumes as well as improved sales mix driven by a better demand for high value added products. In Q3 2009 sales volumes of long products and metal-ware sequentially increased by 47% and 17% respectively.

The Q3 2009 loss before minorities reached USD54 million, a decrease of 18% quarter-on-quarter negatively impacted by high debt burden of the segment's companies. As at the 30 September total amount of debt owed to third parties amounted USD660 million.

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**Mining segment**

| USD, million                           | Q3<br>2009 | Q2<br>2009 | %    | 9M<br>2009 | 9 M<br>2008 | %    |
|--|------------|------------|------|------------|-------------|------|
| Revenue from external customers        | 11.6       | 48.5       | -76% | 72.5       | 50.7        | 43%  |
| Revenue from intersegmental operations | 118.5      | 111.3      | 6%   | 306.4      | 748.7       | -59% |
| Gross profit                           | 59.2       | 67.3       | -12% | 160.6      | 525.7       | -69% |
| Operating profit                       | 48.0       | 49.2       | -2%  | 121.2      | 474.3       | -74% |
| Profit before minorities               | 40.4       | 41.3       | -2%  | 106.7      | 395.5       | -73% |

NLMK's Mining segment comprises Stoilensky, 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, the principal mining company within the Group, produced 8 million tonnes of iron ore concentrate (-11% year-on-year) and 1.3 million tonnes of sinter ore (-3% year-on-year).

9M 2009 revenue from external customers increased to USD73 million, an increase of 43% year-on-year. Low production volumes at NLMK main production site in Q4 2008 and Q1 2009 resulted in growth of iron ore stocks, a major part of which was sold in Q2 2009 increasing supplies of iron ore to the third parties. During 9M 2009 third party sales volumes of iron ore concentrate and sinter ore increased by 172% year-on-year.

The lower financial performance in Q3 2009 on a quarterly basis is mainly attributable to increased supplies to Lipetsk production site where the major part of the added value for the Group is generated.

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**Coke-chemical segment**

| USD, million                           | Q3<br>2009 | Q2<br>2009 | %    | 9M<br>2009 | 9M<br>2008 | %    |
|--|------------|------------|------|------------|------------|------|
| Revenue from external Customers        | 52.6       | 35.3       | 49%  | 125.9      | 599.5      | -79% |
| Revenue from intersegmental operations | 83.7       | 78.7       | 6%   | 205.5      | 398.5      | -48% |
| Gross profit                           | 39.4       | 18.0       | 119% | 64.1       | 248.8      | -74% |
| Operating profit /(loss)               | 25.3       | 9.2        | 174% | 31.1       | 162.2      | -81% |
| Profit/(loss) before Minorities        | 20.0       | (6.0)      |      | 22.2       | 114.4      | -81% |

The Coke-chemical segment comprises Altai-koks and its subsidiaries. Altai-koks is one of the largest Russian coke producers.

In 9M 2009 it produced 2.2 million tonnes of dry coke, a 19% decrease year-on-year .

In the reporting period total sales volumes of Altai-koks amounted to 2.3 million tonnes of coke, (a decrease of 16% year-on-year). As the Lipetsk production site decommissioned four of its eight existing coke batteries, coke sales to Lipetsk operations grew by 83% to 1.5 million tonnes. Export sales amounted to 0.5 million tonnes of coke, a year-on-year decrease of 65%.

9M 2009 revenue from external customers amounted to USD126 million (-79% year-on-year), affected by lower coke sales volumes and prices.

In Q3 2009 coke prices grew driven by the growth of coking coal prices, which allowed the Company to increase its proceeds from the third parties' sales by 48% quarter-on-quarter .

In Q3 2009 coke sales to the Lipetsk production site increased by 9% quarter-on-quarter driven by the growing consumption. Higher utilization rates of the coke production facilities lead to a 49% increase in revenue, a 119% increase in gross profit and a 2.5x growth in operating profit .

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**Others**

| USD, million                           | Q3<br>2009 | Q2<br>2009 | %         | 9M<br>2009 | 9M<br>2008 | %     |
|--|------------|------------|-----------|------------|------------|-------|
| Revenue from external customers        | 0.5        | 0.3        | 51%       | 4.9        | 62.7       | -92%  |
| Revenue from intersegmental operations | -          | -          |           |            | 4.4        | -100% |
| Gross profit                           | 0.3        | 0.1        | 102%      | 2.2        | 32.2       | -93%  |
| Operating profit /(loss)               | 0.03       | (0.1)      | -<br>124% | 1.7        | 25.8       | -93%  |
| Profit before minorities               | 0.3        | 0.3        | 26%       | 3.0        | 18.0       | -83%  |

The Others operating segment primarily includes three operational units with operating results not exceeding the materiality threshold. These segments include commercial seaport services (TMTP stake disposal was completed in January, 2009), insurance and other services.

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The full version of consolidated financial statements (US GAAP) for 9M 2009 can be found on the Group web-site at: [www.nlmk.com](http://www.nlmk.com).

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### Reference information

- (1) NLMK Group US GAAP 9M 2009 financial statements
- (2) US GAAP Q3 2009 financial and operating results presentation

### Conference call details:

NLMK is pleased to invite the investment community to a conference call with the management of NLMK who will comment on the Company's 9M 2009 US GAAP results.

Date and timing:

Monday, December 07, 2009

09:30 New York

14:30 London

17:30 Moscow

To join the conference call please register on-line:

<https://eventreg2.conferencing.com/webportal3/reg.html?Acc=592450&Conf=200353>

or dial

International Call-in Number:

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NLMK will be represented by:

Galina Aglyamova, CFO

Anton Bazulev, Director for Corporate Communications

Sergey Takhiev, Investor Relations

It is recommended that participants download presentation in advance on NLMK's web-site [www.nlmk.com](http://www.nlmk.com)

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#### NLMK

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### About NLMK Goup

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 nearly 68,000 people.

The Company produces a wide range of steel products, including slabs and billets, hot-rolled, cold-rolled, galvanized and electrical steel and other high value-added 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.

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## Appendix

### (1) EBITDA reconciliation

| USD, million                                     | 9M<br>2009 | 9M<br>2008   | Q3<br>2009 | Q2<br>2009 |
|--|------------|--------------|------------|------------|
| Net profit <sup>1</sup>                          | -79        | 2 759        | 164        | -49        |
| Adjustments to reconcile net profit to EBITDA:   |            |              |            |            |
| Equity in net losses of associate                | +344       | -62          | +85        | +116       |
| Net interest expense                             | +79        | +66          | +12        | +31        |
| Income tax                                       | +132       | +854         | +105       | +28        |
| Loss on disposal of fixed assets                 | +13        | +19          | +5         | +6         |
| Impairment losses                                | 0          | 0            | 0          | 0          |
| Accretion expense on asset retirement obligation | 0          | 0            | 0          | 0          |
| Depreciation and amortization                    | +349       | +380         | +126       | +126       |
| Net foreign currency exchange                    | +78        | +29          | -12        | -23        |
| Gains (losses) from financial investments        | +2         | -25          | +0.3       | +0.1       |
| <b>EBITDA</b>                                    | <b>917</b> | <b>4 020</b> | <b>486</b> | <b>234</b> |

1. Net profit related to NLMK's shareholders only

### (2) Sales by regions (in ,000 tonnes)

| Region                      | Q1<br>2008     | Q2 2008        | Q3 2008        | Q4 2008        | 2008            | Q1<br>2009     | Q2<br>2009     | Q3<br>2009     |
|-----------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|
| Russia                      | 1 010.3        | 1 140.5        | 1 109.5        | 504.7          | 3 765.1         | 570.4          | 658.0          | 896.6          |
| EU                          | 464.8          | 517.7          | 404.1          | 293.0          | 1 679.7         | 572.8          | 376.3          | 471.7          |
| Middle East<br>incl. Turkey | 557.7          | 673.5          | 414.6          | 320.8          | 1 966.6         | 532.4          | 427.9          | 697.5          |
| North<br>America            | 292.8          | 317.6          | 239.7          | 257.8          | 1 107.9         | 97.0           | 63.0           | 414.1          |
| Asia                        | 137.6          | 313.4          | 361.1          | 340.7          | 1 152.9         | 493.4          | 740.1          | 588.7          |
| Other                       | 142.6          | 147.8          | 133.8          | 164.7          | 588.8           | 69.8           | 26.5           | 132.6          |
| <b>Total</b>                | <b>2 605.8</b> | <b>3 110.5</b> | <b>2 662.8</b> | <b>1 881.8</b> | <b>10 261.0</b> | <b>2 335.8</b> | <b>2 291.7</b> | <b>3 201.2</b> |

### (3) Sales by product in 2008 – 2009 (in ,000 tonnes)

| Product                     | Q1 2008 | Q2 2008 | Q3<br>2008 | Q4<br>2008 | 2008    | Q1 2009 | Q2 2009 | Q3 2009 |
|-----------------------------|---------|---------|------------|------------|---------|---------|---------|---------|
| Pig iron                    | 266.3   | 204.3   | 97.3       | 48.4       | 616.3   | 89.6    | 15.1    | 221.4   |
| Slabs                       | 589.0   | 917.8   | 837.2      | 763.9      | 3 108.0 | 645.2   | 822.4   | 1 062.3 |
| Hot-rolled thick<br>plates  | 136.3   | 153.2   | 104.3      | 110.1      | 504.0   | 71.9    | 50.8    | 44.7    |
| Hot-rolled steel            | 423.8   | 478.7   | 346.0      | 146.2      | 1 394.6 | 562.6   | 493.7   | 637.5   |
| Cold-rolled steel           | 376.2   | 434.9   | 398.2      | 229.5      | 1 438.8 | 337.4   | 337.4   | 453.5   |
| Hot-dip galvanized<br>steel | 96.5    | 118.8   | 124.4      | 80.0       | 419.6   | 58.2    | 59.7    | 107.3   |
| Color-coated steel          | 79.6    | 99.6    | 100.2      | 60.4       | 339.8   | 57.8    | 81.1    | 96.7    |
| Transformer steel           | 82.5    | 88.6    | 91.3       | 79.9       | 342.3   | 36.3    | 30.3    | 31.4    |
| Dynamo steel                | 79.4    | 100.3   | 88.7       | 56.5       | 324.9   | 34.4    | 36.6    | 48.5    |
| Billets                     | 121.3   | 162.5   | 147.5      | 109.9      | 541.2   | 71.9    | 56.8    | 60.3    |
| Long products               | 327.6   | 300.9   | 292.9      | 164.8      | 1 086.2 | 334.7   | 258.3   | 379.6   |
| Metal-ware                  | 27.3    | 50.9    | 34.8       | 32.3       | 145.3   | 35.9    | 49.4    | 58.0    |

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|              |                |                |                |                |                 |                |                |                |
|--------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|
| <b>Total</b> | <b>2 605.8</b> | <b>3 110.5</b> | <b>2 662.8</b> | <b>1 881.8</b> | <b>10 261.0</b> | <b>2 335.8</b> | <b>2 291.7</b> | <b>3 201.2</b> |
|--------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|

### Sales revenue by region in 9M 2009

| Region                   | Q3 2009      |             | Q2 2009      |             |
|--------------------------|--------------|-------------|--------------|-------------|
|                          | ,000 tonnes  | %           | ,000 tonnes  | %           |
| Russia                   | 701          | 40.3%       | 492          | 38.0%       |
| EU                       | 213          | 12.3%       | 184          | 14.2%       |
| Middle East incl. Turkey | 286          | 16.5%       | 182          | 14.1%       |
| North America            | 148          | 8.5%        | 29           | 2.3%        |
| Asia and Oceania         | 307          | 17.6%       | 300          | 23.2%       |
| Other                    | 84           | 4.8%        | 106          | 8.2%        |
| <b>Total</b>             | <b>1,793</b> | <b>100%</b> | <b>1,293</b> | <b>100%</b> |

### 2. Production cost in 9M 2009.

| Item   | Q3 2009      |               | 9M 2009      |               |
|--|--------------|---------------|--------------|---------------|
|  | USD, million | %             | USD, million | %             |
| Iron ore   | 40           | 4.0%          | 91           | 3.4%          |
| Coke and coal  | 135          | 13.5%         | 436          | 16.3%         |
| Scrap  | 169          | 16.9%         | 379          | 14.2%         |
| Ferroalloys  | 15           | 1.5%          | 89           | 3.3%          |
| Other materials  | 121          | 12.0%         | 252          | 9.4%          |
| Electric energy  | 84           | 8.4%          | 212          | 7.9%          |
| Natural gas  | 41           | 4.0%          | 117          | 4.4%          |
| Other fuel materials   | 8            | 0.8%          | 28           | 1.1%          |
| Labour   | 139          | 13.9%         | 379          | 14.2%         |
| Other  | 181          | 18.0%         | 403          | 15.1%         |
| Changes in balances in finished and semi-finished products, work-in-progress and deferrals | 70           | 7.0%          | 286          | 10.7%         |
| <b>Total</b>   | <b>1 003</b> | <b>100.0%</b> | <b>2 673</b> | <b>100.0%</b> |

### 3. Working capital in 9M 2009.

| USD, million                            | 30.09.2009   | 30.06.2009   | 31.03.2009   | 31.12.2008   |
|---|--------------|--------------|--------------|--------------|
| <b>Current assets</b>                   | <b>3,854</b> | <b>4,161</b> | <b>4,271</b> | <b>5,346</b> |
| <i>Cash and cash equivalents</i>        | 1,642        | 1,591        | 1,546        | 2,160        |
| <i>Short-term financial investments</i> | 126          | 467          | 338          | 8            |
| <i>Accounts receivable</i>              | 908          | 882          | 1,187        | 1,488        |
| <i>Inventories</i>                      | 1,052        | 1,031        | 1,050        | 1,555        |
| <i>Other current assets, net</i>        | 126          | 190          | 149          | 134          |
| <b>Current liabilities</b>              | <b>1,998</b> | <b>2,264</b> | <b>2,279</b> | <b>2,980</b> |
| <i>Accounts payable</i>                 | 997          | 1,109        | 1,162        | 1,879        |
| <i>Short-term loans</i>                 | 957          | 1,126        | 1,090        | 1,079        |

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|                                  |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|
| <i>Other current liabilities</i> | 44           | 29           | 27           | 21           |
| <b>Working</b>                   | <b>1,855</b> | <b>1,897</b> | <b>1,993</b> | <b>2,366</b> |