



PRESS RELEASE
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NLMK Q1 2008 US GAAP Results

Novolipetsk Steel (NLMK), the LSE-listed leading Russian steel producer, today announces its consolidated US GAAP results for Q1 2008.

Key financials for Q1 2008 ended March, 31, 2008

USD, million	Q1 2008	Q4 2007 **	%	Q1 2008	Q1 2007	%
Revenue	2,353.3	2,173.5	8%	2,353.3	1,750.2	34%
Gross profit	1,039.0	1,018.8	2%	1,039.0	817.4	27%
Operating income	776.4	816.9	-5%	776.4	640.1	21%
EBITDA*	875.7	903.0	-3%	875.7	748.1	17%
EBITDA margin (%)	37%	42%		37%	43%	
Net profit	617.7	589.9	5%	617.7	456.6	35%
EPS	0.1031	0.0984	5%	0.1031	0.0762	35%

* EBITDA = Net income (post share of minorities) + income tax \pm interest expense/(income) + depreciation \pm losses/(gains) on disposals of property, plant and equipment \pm losses/(gains) on financial investment \pm losses/(gains) from disposal of subsidiaries + accretion expense on asset retirement obligations – gains on loan restructuring.

** Q1 2008 and Q1 2007 are official reporting periods. Q4 2007 figures are derived by computational method. This assumption is related to the calculation of financial indicators by segments.

Highlights:

- Strong financial performance in Q1 2008:

- Revenue amounted USD 2,353.3 million (+34% year-on-year)
- Operating cash flow reached USD 250.1 million
- EBITDA was USD 875.7 million (+17% year-on-year); EBITDA margin was 37%
- Cash and cash equivalents as of March 31, 2008 amounted USD 1,181.4 million

- “Sustainable Growth Strategy” continued on track in Q1 2008:

- In January 2008, NLMK reached an agreement to acquire 100% of the trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland. The EUR 77.1 million transaction was completed in May 2008;

- In February 2008, NLMK reached an agreement to amend the terms of its contract with Duferco Group. NLMK is granted a perpetual option to acquire one share in SIF (the joint venture with Duferco Group). Furthermore, from December 18, 2010, NLMK is granted a perpetual option to buy all of Duferco Group's interest in the Joint Venture at a price based on the change in the consolidated shareholders equity of SIF between October 2006 and the exercise date.

- Total capex for Q1 2008 was USD 355.2 million. Major projects included:

- Refurbishment and commissioning of the Concasting Machine (CCM-6), which has a 2.5 million tpy capacity. The upgrade improved CCM-6's technical capabilities and enabled an increase in production capacity of 1.2 million tpy;

- VIZ-Stal launched the production of 0.23 mm thick transformer steel sheets used in high power transformers. The first deliveries have already reached our customers;

- The Strategic Planning Committee has approved the key parameters of the Group's Technical Upgrading Programme, covering the period up to 2015. NLMK plans to increase crude steel production volumes at NLMK's Russian sites to 22 million tonnes by 2015, while flats and longs production volumes will increase by up to 6.9 and 5.9 million tonnes respectively. NLMK is developing a high value added product portfolio focused on the domestic market. The Company expects consumption to grow in the construction, mechanical engineering, automotive and infrastructure sectors.

- In Q1 2008 NLMK implemented a number of asset optimization and management system improvement projects. Major projects included:

- NLMK continues the integration of acquired assets of the long products segment. Currently, NLMK representatives hold the key management positions at all of Maxi-Group's production sites;

- In March 2008, NLMK posted a mandatory offer to Stoilensky GOK's minority shareholders to purchase outstanding ordinary shares. In May 2008 the Company completed the acquisition of 3.02% of Stoilensky GOK's share capital, thus obtaining 100% control over the enterprise. Minority shares were acquired at a price set in accordance with independent appraisers' reports. Currently, offers to buy shares have been sent to minority shareholders in Stagdok, Dolomite and Altai-koks

- In March 2008, NLMK created the position of Vice President of Information Technology. The new Vice President will lead the work to set up a common information space within the Group and to implement a corporate ERP system.

- The Board of Directors recommended a RUR 3 dividend per ordinary share (1 GDS = 10 ordinary shares) in relation to the 2007 results. Taking into account the interim dividend per share of RUR 1.5, approved by the General Shareholders' Meeting in September 2007, the Board of Directors recommended an additional payment of RUR 1.5 per NLMK share at the time of the full year results. The resolution for the dividend payment has been submitted for the

General Shareholders' Meeting approval on June 6, 2008.

Outlook

Prices for steel products continued to grow in Q1 and Q2 2008 following an increase in raw material costs and consistently high demand in the world market. We currently anticipate a mid-year flattening of steel prices.

In 2008, steel production volume at our main production site in Lipetsk is expected to reach 9.4 million tonnes (+4% year-on-year). Total steel production volume of NLMK's Russian steelmaking assets is expected to reach 11.6 million tonnes (+26% year-on-year). As a result of the increase in production volumes, price growth and the consolidation of Maxi-Group we expect revenues to grow by up to 60% year-on-year. According to our preliminary estimates, EBITDA could exceed the 2007 level by 35-40%.

COMMENTS

Favourable conditions in the steel market, the consolidation of Maxi-Group as well as the ongoing implementation of Phase 2 of the Technical Upgrading Programme as part of the Company's sustainable growth strategy are key drivers for growth.

After Maxi-Group was consolidated in December 2007, products such as longs and metalware have entered the Group's product mix. Maxi-Group enterprises manufactured 0.35 million tonnes of products in Q1 2008.

The rise in steel and coke-chemical product prices led to significant growth in Q1 2008 (year-on-year). Thus, sales revenue amounted to USD 2,353.3 million (+34% year-on-year), operating profit – USD 776.4 million (+21%), EBITDA - USD 875.7 million (+17%).

The integration of Maxi-Group in December 2007 had a significant impact on Q1 2008 revenue growth as well as on production, and general and selling costs.

In January 2008, NLMK switched CPT delivery basis to FOB in order to increase control over the quality and period of delivery of NLMK Group's products to its overseas customers. This was another reason for the year-on-year decrease in Q1 2008 operating profit along with the accrual of annual bonuses to the Company's employees and a rise in coal concentrate prices.

Steel segment

USD, million			Q1 2008	Q4 2007	Change, %	Q1 2008	Q1 2007	Change, %
Revenue	from	external	1,779.5	1,896.8	-6%	1,779.5	1,598.7	11%
customers								
Revenue	from	intersegmental	85.0	5.9	1344%	85.0	6.3	1242%
operations								
Gross profit			703.5	738.6	-5%	703.5	633.5	11%
Operating profit			529.2	589.9	-10%	529.2	519.9	2%
Profit before minorities			423.4	460.5	-8%	423.4	279.3	52%

The Group's financial results largely depend on the steel segment which comprises NLMK, VIZ-Stal (electrical steel manufacturer), DanSteel A/S (plates manufacturer), and a number of service companies.

The steel segment accounts for 76% of Q1 2008 consolidated revenue from external customers.

In Q1 2008 steel segment enterprises produced 2.4 million tonnes of steel, 0.8 million tonnes of commercial slabs and 1.4 million tonnes of flats.

The segment's Q1 2008 revenue from external customers amounted to USD 1,779.5 million, an 11% rise year-on-year due to an increase in prices for the segment's products and expansion of HVA product share.

A 6% decrease in sales revenue from external customers in Q1 2008 on a quarter-on-quarter basis is mainly attributable to the Parent company switching to export delivery contracts based on FOB terms starting in January 2008. As a result, a portion of the products sold will be recognized in the company's financial accounts as a part of sales revenue in subsequent periods. If the impact of this switch excluded, we estimate that Q1 2008 sales revenue would have exceeded its current level by USD240.

Q1 2008 operating profit amounted to USD 529.2 million. A change in NLMK's delivery terms in Q1 2008 triggered growth in selling expenses, which was the reason for the slight growth in operating profit compared to revenue growth from external customers.

The sharp increase in profit before minorities year-on-year (by USD144.1 million or 52%) can be attributed to restructuring of the loan to Prokopievskugol Group of Companies in Q1 2007.

The segment's financial results decreased year-on-year, primarily due to lower export sales revenue attributable to a change in export deliveries basis from January 2008 as well as the accrual of annual bonus in Q1 2008.

Longs Products Segment

USD, million	Q1 2008	Q4 2007*	Change, %
Revenue from external customers	348.5	62.3	460%
Revenue from intersegmental operations	35.8	-	-
Gross profit	76.1	8.8	765%
Operating profit	37.0	1.6	2278%
Profit before minorities	-25.5	-31.8	-20%

* Longs segment financial results for Q4 2007 are indicated from the moment of Maxi-Group consolidation in December 2007.

The long products segment indicates Maxi-Group financial results integrated into the Group in December 2007.

The core activity of these companies is scrap collection and processing, steel making and longs production.

In Q1 2008 Maxi-Group produced 0.5 million tonnes of steel, 0.33 million tonnes of longs and

0.03 million tonnes of metalware.

The segment's Q1 2008 operating profit was USD 37.0 million.

Until February 2008 Maxi-Group fulfilled contracts with fixed prices, signed by the previous owner in 2007. This, together with a high debt burden, was the reason for the segment's poor financial results.

From March 2008, prices for the segment's products were raised and, as expected, the first line at rolling mill-150 at the Berezovsky production site is launched in H2 2008. This will contribute to significant growth in the current year.

Mining Segment

USD, million	Q1 2008	Q4 2007	Change, %	Q1 2008	Q1 2007	Change, %
Revenue from external customers	20.9	33.9	-38%	20.9	23.2	-10%
Revenue from intersegmental operations	245.0	208.4	18%	245.0	192.2	27%
Gross profit	175.2	156.8	12%	175.2	134.8	30%
Operating profit	156.4	138.7	13%	156.4	124.2	26%
Profit before minorities	128.5	118.0	9%	128.5	103.8	24%

In Q1 2008, 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.

Iron ore producer Stoilensky GOK, the principal mining company within the Group, produced 2.9 million tonnes of iron ore concentrate and 0.4 million tonnes of sinter ore in Q1 2008.

The mining segment's revenue from external customers in Q1 2008 amounted to USD20.9 million, a decrease compared to the periods analyzed. This decrease is mainly attributable to a decline in volumes supplied to external customers.

Intersegmental sales in Q1 2008 rose to USD245.0 million. This growth resulted from price rises and increased volumes of iron ore concentrate shipped to NLMK's production facilities in Lipetsk.

92% of the mining segment's sales in value terms are internal sales, the segment's share of NLMK's consolidated external revenue in Q1 2008 was only 1%.

Coke-chemical Segment

USD, million	Q1 2008	Q4 2007	Change, %	Q1 2008	Q1 2007	Change, %
Revenue from external customers	184.3	158.8	16%	184.3	105.4	75%
Revenue from intersegmental operations	75.2	72.2	4%	75.2	26.6	183%
Gross profit	68.5	106.1	-35%	68.5	23.5	192%
Operating profit	39.1	81.5	-52%	39.1	3.2	1135%
Profit before minorities	23.9	60.6	-61%	23.9	-2.0	

The coke-chemical segment comprises Altai-koks and its subsidiaries. Altai-koks is the leading Russian coke producer in terms of production volumes. In Q1 2008 the company produced 0.9 million tonnes of dry coke.

In Q1 2008 the coking segment's revenue from external customers was USD 184.3 million (+75% year-on-year). This increase was attributable to a rise in coke prices.

The quarter-on-quarter growth of Q1 2008 revenue from external customers was mainly attributable to increased sales volumes and growth in prices for its main products. The profit decrease in the reporting period is due to sharp increases in coking coal concentrate prices caused by the tight supply of high grade coal in the domestic market.

In Q1 2008, Altai-koks export sales volumes, including sales to CIS countries, amounted to 0.4 million tonnes of dry coke. The Company shipped 0.2 million tonnes of dry coke to the main production site in Lipetsk.

The coke-chemical segment's share of Q1 2008 consolidated revenue is 8%.

Other Segments

USD, million	Q1 2008	Q4 2007	Change, %	Q1 2008	Q1 2007	Change, %
Revenue from external customers	20.1	21.7	-7%	20.1	22.9	-12%
Revenue from intersegmental operations	1.0	1.6	-39%	1.0	37.4	-97%
Gross profit	10.3	12.0	-14%	10.3	13.8	-26%
Operating profit	11.2	10.4	8%	11.2	-17.6	
Profit before minorities	7.0	15.7	-56%	7.0	78.9	-91%

Revenue from other operating segments primarily includes revenue from three operational units, the results of which do not exceed threshold values. These segments include sea port services, financial services, including banking (in H1 2007) and insurance services, as well as coal mining and refinement by the Prokopievskugol Group of Coal Companies (in Q1 2007).

In Q1 2008, operating profit from other segments rose compared to the corresponding period last year due to the consolidation of the Prokopievskugol Group of Coal Companies in Q1 2007 that received a negative financial result from operating activities due to high level of production costs.

Profit before minority interests in Q1 2007 amounted to USD 78.9 million, primarily due to the waiver of Prokopievskugol's obligations to repay a loan within the framework of debt restructuring.

Consolidated financial results

In Q1 2008 sales revenues amounted USD 2,353.3 million (+34% year-on-year). The key drivers for the increase in revenue and profit were:

- An increase in prices for products sold by NLMK Group;
- The consolidation of Maxi-Group since December 2007.

Operating profit in Q1 2008 amounted to USD 776.4 million (+21% year-on-year). Q1 2008 EBITDA was 875.7 million (+17% year-on-year). EBITDA margin in Q1 2008 was 37%, decreasing by 6 p.p. compared to the corresponding period last year.

The consolidation of Maxi-Group was the main factor contributing to sales revenue growth in Q1 2008 by USD 179.8 million or by 8% compared to the previous quarter. The quarter-on-quarter revenue growth in Q1 2008 was restrained by a switch to export delivery contracts based on FOB terms. The impact of this extraordinary factor will be reduced during 2008.

Q1 2008 operating profit decreased by USD 40.5 million, or 5%, on a quarter-to-quarter basis. This decrease was primarily attributable to the consolidation of Maxi-Group's results, the payment of bonuses to the Company's personnel, a growth of selling expenses due to changes in the delivery basis in January 2008, as well as a growth in production costs due to an increase in basic raw material prices.

Q1 2008 net income growth on a quarter-on-quarter basis is explained by the recovery of accrued tax assets amounting to USD 80.6 million due to modifications in dividend taxation regulations from January 1 2008.

Consolidated balance sheet

As of 31 March 2008, the Group's assets amounted to USD 14,412.6 million, representing 10% growth on a quarter-on-quarter basis.

As at 31 March 2008, the Group's capital structure included 70% equity capital, remaining at the same level as at the beginning of 2008.

As at 31 March 2008, Debt/EBITDA was 0.60, representing a 0.12 increase compared to the beginning of 2008. This increase was driven by NLMK's borrowings as well as Maxi-Group loan borrowings that are currently being restructured.

Normalized return on assets (ROA) for Q1 2008 amounted to 18%, while normalized return on equity (ROE) was 26%. The ratios slightly decreased compared to the periods analyzed due to the consolidation of Maxi-Group in December 2007 which demonstrated a loss in Q1 2008.

Cash flow

The favorable pricing environment in Q1 2008, as well as other factors, contributed to an operating cash flow of USD 250.1 million.

The Q1 2008 cash outflow for investment activities amounted to USD 677.2 million, with the major investment item being the acquisition and construction of PPE (USD 355.2 million). Moreover, the first installment for the acquisition of Maxi-Group shares, amounting to USD 299.9 million, was paid, with the second installment to be paid after the completion of due diligence and corresponding adjustment of the purchase price.

Net cash used in financial activities in Q1 2008 amounted to USD 405.5 million. USD 853.3 million of loans drives the major cash inflow, while cash outflow on financial activities is attributable to loan repayment (USD 438.5 million).

Cash and cash equivalents as at March 31 2008 amounted to USD 1,181.4 million.

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.

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