Novolipetsk Steel (NLMK) trading update for Q4 2007 and FY 2007

Novolipetsk Steel (LSE: NLMK) today released the following regular trading update for Q4 2007 and FY 2007.

1. Production*

The table below shows the production volume of NLMK's principal steel products from its main site in Lipetsk, Russia:

Production (mln. tonnes)	*Q4 2007*	*Q3 2007*	Q4 2007 / Q3 2007	2007	2006	2007 / 2006
Pig iron	2.376	2.233	6.4%	9.056	9.043	0.1%
Steel	2.282	2.231	2.3%	9.056	9.125	-0.8%
Slabs	0.887	0.864	2.7%	3.724	3.866	-3.7%
*Hot-rolled steel***	0.479	0.482	-0.6%	1.792	1.626	10.2%
Cold-rolled steel	0.401	0.358	11.8%	1.625	1.752	-7.2%
Hot dip galvanized steel	0.128	0.123	4.4%	0.476	0.430	10.7%
Pre-painted steel	0.066	0.098	-32.6%	0.344	0.341	1.0%
Non-grain-oriented steel	0.090	0.095	-5.9%	0.376	0.342	9.8%
Grain-oriented steel	0.038	0.030	27.7%	0.139	0.142	-2.1%

*** including supply to subsidiaries*

The table below shows the principal product tonnage produced at NLMK's Danish subsidiary, DanSteel A/S:

Production (mln. tonnes)	*Q4 2007*	*Q3 2007*	Q4 2007 / Q3 2007	2007	2006	2007 / 2006
Heavy plates	0.136	0.107	27.2%	0.522	0.468	11.6%

The table below shows the principal product tonnage produced at NLMK's subsidiary, VIZ-Stal:

Production (mln. tonnes)	*Q4 2007*	*Q3 2007*	Q4 2007 / Q3 2007	2007	2006	2007 / 2006
Grain-oriented steel	0.049	0.047	2.4%	0.189	0.180	4.9%
Non-grain-oriented steel	0.005	0.005	-5.7%	0.019	0.016	17.5%

The table below shows the production volume of principal product tonnage produced at NLMK's subsidiary, Stoilensky GOK:

Production (mln. tonnes)	*Q4 2007*	*Q3 2007*	Q4 2007 / Q3 2007	2007	2006	2007 / 2006
Iron ore concentrate	2.865	2.920	-1.9%	11.622	11.305	2.8%
Sinter ore	0.428	0.469	-8.7%	1.743	1.377	26.6%

The table below shows the principal product tonnage produced at NLMK's subsidiary, Altai-koks:

Production (mln. tonnes)	*Q4 2007*	*Q3 2007*	Q4 2007 / Q3 2007	2007	2006	2007 / 2006
Coke (moisture 6%)	0.898	0.971	-7.5%	3.792	2.960	28.1%

** All information on Q4 2007 and FY 2007 production volumes is preliminary and may be subject to change;*

2. Realized prices*

Realized prices are calculated by dividing sales revenue by sales volume. Such calculations do not differentiate between particular product types and grades within a product sub-category. Realized prices are not indicative of actual contract prices and can only serve as an approximation. All information on Q4 2007 prices is preliminary and may be subject to change.

The table below shows the average price realized for each of NLMK's main steel products:

	USD per tonne (FCA)*		
	Q4 2007	*Q3 2007*	Q4 2007 / Q3 2007

Pig Iron	318.7	294.9	8.1%
Slabs	476.4	473.8	0.5%
Hot-rolled steel	575.9	588.4	-2.1%
Cold-rolled steel	654.6	661.8	-1.1%
Hot dip galvanized steel	923.2	934.8	-1.2%
Pre-painted steel	1 236.1	1 310.6	-5.7%
Non-grain-oriented steel	783.6	739.7	5.9%
Grain-oriented steel	3 524.5	3 466.8	1.7%

The table below shows the DanSteel A/S average heavy plate prices:

	EUR per tonne (FCA)*		
	Q4 2007	***Q3 2007***	**Q4 2007 / Q3 2007**
Heavy plates	€ 767.2	€ 753.4	1.8%

The table below shows average VIZ-Stal product prices:

	USD per tonne (FCA)*		
	Q4 2007	***Q3 2007***	**Q4 2007 / Q3 2007**
Grain-oriented steel	3 730.5	3 617.4	3.1%
Non-grain-oriented steel	985.7	941.3	4.7%

The table below shows average Stoilensky GOK product prices:

	USD per tonne (FCA)*		
	Q4 2007	***Q3 2007***	**Q4 2007 / Q3 2007**
Iron ore concentrate	67.5	65.7	2.7%
Sinter ore	27.7	27.0	2.5%

The table below shows the Altai-koks average coke prices:

	USD per tonne (FCA)*		
	Q4 2007	***Q3 2007***	**Q4 2007 / Q3 2007**
Coke (moisture 6%)	230.6	140.8	63.8%

** Excluding freight charge*

3. Management comments

In 2007, total crude steel production was 9.056 million tonnes. This is nearly in line with the planned production volume despite the temporary underperformance of blast furnace No.6 during Q2/Q3 2007.

The decrease in slab output (-3.7%) in 2007 compared to 2006 is primarily attributable to the increase of hot-rolled steel production.

The increase in hot-rolled output (+10.7%) and decrease in cold-rolled output (-7.2%) in 2007 was prompted by the higher margins available for hot-rolled steel export sales than for cold-rolled steel export sales. The decrease in cold-rolled steel output also resulted from further processing of cold-rolled steel into higher value-added products (pre-painted steel, dynamo steel, transformer steel). .

The commissioning of the third hot dip galvanizing line resulted in a 10.7% increase of HDG steel production in 2007 compared to 2006.

The increase in dynamo steel output (+9.8%) in 2007 compared to 2006 is attributable to growing number of orders for this product.

The minor decrease of grain-oriented (transformer) steel output on a y-o-y basis was caused by further development of the electrical steel product portfolio. The substantial growth of grain-oriented steel production in Q4 2007 compared to the previous quarter is attributable to modernization of electrical steel mills in Q3 2007 focused on improving product quality.

In 2007, DanSteel A/S increased the production of hot-rolled thick plates on a y-o-y basis by switching to a four-shift work schedule. The growth of hot-rolled thick plate production in Q4 2007 compared to the previous quarter resulted from the annual maintenance schedule during July – August 2007.

The optimization of the technological process focused on reducing metal loss resulted in grain-oriented steel production growth at VIZ-Stal (+4.9%) in 2007 compared to 2006.

As for the mining segment, Stoilensky GOK demonstrated an increase in production of iron ore concentrate in 2007 due to the commissioning of the first stage of the fourth section of the beneficiating plant in 2006. The growth of sinter ore production is attributable to favorable mining and geological conditions of the deposit.

The increase of coke production (+28.1%) on a y-o-y basis results from putting into operation a new coke battery at the end of 2006 and growing demand in core markets.

The seasonal year end demand weakness has resulted in price decreases for certain flat steel products supplied by NLMK. However, the seasonal factor did not significantly impact on overall price level for NLMK's products. Moreover, prices for certain products including pig iron, slabs and electrical steel surged due to growing demand on the domestic and global market and further US dollar weakening. The DanSteel and VIZ-Stal product prices demonstrated growth during the reporting period.

Despite the fact that prices for Stoilensky GOK products were fixed during Q3-Q4 2007, the lowering USD/RUR exchange rate resulted in growing average prices for iron ore concentrate and sinter ore at Stoilensky GOK in Q4 2007 compared to previous quarter. The supply shortage on the coking coal market resulted in growing coking coal concentrate prices and, as a consequence, Altai-koks coke prices.

4. Outlook

In general, NLMK's main production site and major subsidiaries successfully realized production targets in 2007. Meanwhile, growing steel prices, as well as changes in the product mix towards products being in greater demand and providing higher earnings per tonne of sales, positively impacted overall company profitability.

We believe that NLMK's consolidated sales revenue will increase in 2007 compared to 2006. NLMK's EBITDA in 2007 is expected to grow approximately 25-30% compared to the previous year.

We note the growth of steel prices at the beginning of 2008 caused by the increase in basic raw materials prices. We expect steel price to rise during the first half of the year followed by mid-year flattening.