



OJSC Novolipetsk Steel
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2006 RAS Financial Results for NLMK Group's major Russian companies

Novolipetsk Steel (NLMK) (LSE: NLMK) today announces 2006 Russian Accounting Standards (RAS) financial results for the Group's major Russian companies¹.

The filing of RAS accounting results is a Russian regulatory requirement. In addition, NLMK has been preparing financial reports in accordance with US GAAP accounting standards since 1998. RAS accounting results differ materially from US GAAP accounting results and are not comparable to financial statements prepared in accordance with US GAAP. The RAS accounting results of the Group's major Russian companies are not indicative of the financial condition or results of these entities under US GAAP. Reference should only be made to consolidated financial statements prepared in accordance with US GAAP for information with respect to NLMK Group's financial condition and results of operations.

2006 RAS financial results NLMK Group's Russian companies (in thousands of rubles, except for percentages)

OJSC "Novolipetsk Steel"

	2005	2006	Change (%)
Revenue	119,220,689	140,301,567	17.7%
Gross profit	50,718,567	65,347,852	28.8%
Operating profit	45,968,780	55,837,604	21.5%
Net profit	35,165,394	50,508,140	43.6%

LLC VIZ-Stal²

	2005	2006	Change (%)
Revenue	10,269,246	15,680,018	52.7%
Gross profit	4,223,653	9,208,918	118.0%
Operating profit	3,664,546	8,591,279	134.4%
Net profit	2,426,130	6,335,972	161.2%

OJSC “Stoilensky GOK”

	2005	2006	Change (%)
Revenue	15,047,834	15,809,998	5.1%
Gross profit	9,890,608	10,370,184	4.8%
Operating profit	9,264,881	9,512,617	2.7%
Net profit	7,237,783	7,493,969	3.5%

OJSC “Stagdok”

	2005	2006	Change (%)
Revenue	379,755	551,104	45.1%
Gross profit	83,883	187,655	123.7%
Operating profit	51,985	140,050	169.4%
Net profit	28,359	106,645	276.1%

OJSC “Dolomite”

	2005	2006	Change (%)
Revenue	278,417	345,592	24.1%
Gross profit	106,938	162,493	52.0%
Operating profit	51,792	91,968	77.6%
Net profit	27,388	57,141	108.6%

OJSC “Altai-koks”³

	2005	2006	Change (%)
Revenue	12,228,567	11,266,871	-7.9%
Gross profit	2,024,314	2,750,588	35.9%
Operating profit	422,132	1,323,694	213.6%
Net profit	23,375	642,655	27-fold

OJSC “Lipetskcombank”

	2005	2006	Change (%)
Total interest and similar income	730,200	1,058,269	44.9%
Net interest and similar income	345,215	511,981	48.3%
Income before income tax	164,341	265,511	61.6%
Net profit	121,066	177,474	46.6%

OJSC “TMTP”

	2005	2006	Change (%)
Revenue	2,275,773	2,212,148	-2.8%
Gross profit	1,508,516	1,382,416	-8.4%
Operating profit	1,434,467	1,310,557	-8.6%
Net profit	1,131,060	1,011,267	-10.6%

OJSC “NTK”

	2005	2006	Change (%)
Revenue	805,567	1,004,911	24.7%
Gross profit	162,953	367,771	125.7%
Operating profit	64,626	222,890	244.9%
Net profit	47,361	162,522	243.2%

Highlights

➤ **NLMK’s results improved due to price increases and growth of sales volumes**

NLMK’s sales revenue, gross profit and net income increased in 2006 compared to 2005 due mainly to a strong pricing environment and growth in production and sales volumes. The increase in net income in 2006 compared to 2005 was also boosted by the divestment of the Group’s interests in KMA Ruda and Lebedinsky GOK during the reporting period. The total net proceeds from these disposals were RUR 12.8 bn.

➤ **VIZ-Stal's results improved due to rising steel prices**

The strengthening of prices for finished steel products is the primary reason for the substantial improvement of VIZ-Stal's financial results in 2006 compared to previous year. The increase in sales revenue is also attributable to optimization of the product mix.

➤ **Stoilensky GOK demonstrates stable financial results**

The 5.1% increase in sales revenue in 2006 compared to 2005 was caused by growing iron ore concentrate and sinter ore sales volumes. Despite the growing cost of goods sold, SG&A, payroll expenses and energy and raw materials prices, as well as changes in the terms of delivery for export sales, operating profit went up by 2.7% in 2006 in comparison with the previous reporting period. Net income at Stoilensky GOK amounted to RUR 7,494 mln (+3.5% y-o-y). The increase in net income resulted from growing sales revenue and interest gains from deposits.

➤ **Financial results increase at OJSC "Stagdok" and OJSC "Dolomite"**

Results at OJSC "Stagdok" and OJSC "Dolomite" in 2006 compared to 2005 increased due to a strong pricing environment. Net income of OJSC "Stagdok" and OJSC "Dolomite" amounted to RUR 106.6 mln and RUR 57.1 mln respectively.

➤ **Financial results at Altai-koks**

Altai-koks sales revenue decreased by 7.9% in 2006 compared to 2005 due to a weaker coke pricing environment in 2006 compared to 2005. The optimization of Altai-kosks cost management system and growth of sales volumes after consolidation by NLMK Group resulted in a substantial increase of operating profit and net income.

➤ **Financial results increase at OJSC «Lipetskcombank»**

OJSC «Lipetskcombank» increased financial results was primarily attributed to credit portfolio growth and gains from equity portfolio operations. Net profit in 2006 was RUR 177 mln (+46.6% y-o-y).

➤ **US dollar weakening resulted in OJSC "TMTP" financial results deterioration**

The key factor contributing to the decrease in OJSC "TMTP" financial results was US dollar weakening. The sea port tariffs are regulated by state authorities and denominated in US dollars. Thus, RUR/USD exchange rate decrease resulted in reduced revenues denominated in rubles.

➤ **Financial results increase at OJSC "NTK"**

The growing volume of logistics and transportation services, as well as the ongoing optimization of transportation routes resulted in sales revenue and gross profit increase. OJSC "NTK" increased the quantity of shipments by company owned railcars. This approach enabled OJSC "NTK" to cut railcars usage fees paid to "Russian Railways". This factor contributed to the increase of sales revenue and net profit in the reporting period.

¹ Indicated companies of the Group include: OJSC Novolipetsk Steel (NLMK), LLC VIZ-Stal, OJSC Stoilensky GOK, OJSC "Altai-koks", OJSC "Lipetskcombank", OJSC "Stagdok", OJSC "Dolomite", OJSC "TMTP" and OJSC "NTK".

² VIZ-Stal forms part of NLMK's Group since August 2006

³ Altai-koks forms part of NLMK's Group since April 2006