



OJSC Novolipetsk Steel

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Q2 2007 RAS Financial Results for NLMK Group's major companies

OJSC Novolipetsk Steel (NLMK) (LSE: NLMK) today announces Q2 2007 Russian Accounting Standards (RAS) financial results for its major companies *.

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

Q2 2007 RAS financial results for NLMK Group companies
thousands of rubles, except for percentages)

(in

OJSC "Novolipetsk Steel" (NLMK)

	Q2 2007	Q1 2007	Q2 2006	Change (%)	
				Q207 / Q107	Q207 / Q206
Revenue	37 905 957	36 526 665	34 672 470	3.8%	9.3%
Gross profit	16 290 219	14 084 426	16 657 295	15.7%	-2.2%
Operating profit	12 870 720	11 491 241	14 110 641	12.0%	-8.8%
Net profit	10 671 952	9 545 498	10 982 460	11.8%	-2.8%

LLC "VIZ-Stal"***

	Q2 2007	Q1 2007	Q2 2006	Change (%)	
				Q207 / Q107	Q207 / Q206
Revenue	4 782 405	4 168 237	3 701 389	14.7%	29.2%

Gross profit	3 050 820	2 690 970	2 060 492	13.4%	48.1%
Operating profit	2 937 184	2 587 454	1 959 298	13.5%	49.9%
Net profit	2 225 540	1 937 175	1 422 343	14.9%	56.5%

OJSC "Stoilensky GOK"

	Q2 2007	Q1 2007	Q2 2006	Change (%)	
				Q207/Q107	Q207/Q206
Revenue	5 247 014	5 437 608	3 178 946	-3.5%	65.1%
Gross profit	3 801 925	3 885 818	1 847 097	-2.2%	105.8%
Operating profit	3 574 143	3 671 604	1 659 736	-2.7%	115.3%
Net profit	2 929 726	3 000 039	1 331 806	-2.3%	120.0%

OJSC "Altai-koks"

	Q2 2007	Q1 2007	Q2 2006	Change (%)	
				Q207/Q107	Q207/Q206
Revenue	4 088 115	3 472 679	2 287 195	17.7%	78.7%
Gross profit	949 389	788 149	402 350	20.5%	136.0%
Operating profit	381 217	284 279	283 595	34.1%	34.4%
Net profit	249 820	160 674	149 129	55.5%	67.5%

OJSC "TMTP"

	Q2 2007	Q1 2007	Q2 2006	Change (%)	
				Q207/Q107	Q207/Q206
Revenue	493 834	536 768	516 905	-8.0%	-4.5%
Gross profit	276 883	317 227	311 773	-12.7%	-11.2%
Operating profit	259 619	299 053	293 689	-13.2%	-11.6%
Net profit	207 369	233 639	236 377	-11.2%	-12.3%

LLC "NTK"

	Q2 2007	Q1 2007	Q2 2006	Change (%)	
				Q207/Q107	Q207/Q206
Revenue	438 457	385 938	226 149	13.6%	93.9%
Gross profit	164 337	167 137	79 378	-1.7%	107.0%
Operating profit	122 863	124 952	44 088	-1.7%	178.7%
Net profit	92 828	93 204	35 911	-0.4%	158.5%

Highlights

➔ **NLMK's financial results improved in Q2 2007 compared to Q1 2007 due to strong pricing environment**

Average steel prices in Q2 2007 were higher than the level of Q1 2007 and Q2 2006. This was the primary factor contributing to the increase of sales revenue during the reporting period. The profit increase in Q2 2007 compared to the previous quarter is also attributable to price increases for iron ore raw materials, coking coal concentrate and energy, which were fixed until the end of the year, as well as the strong pricing environment. The gross profit and net income in Q2 2007 increased by 15.7% and 11.8% respectively in comparison with Q1 2007.

The substantial price increase of basic raw materials in Q2 2007 compared to Q2 2006 resulted in growing costs of goods sold at the main production site in Lipetsk and corresponding slight lowering of financial results compared to Q2 2006. The growth of cost of goods sold was primarily caused by the price increase of iron ore raw materials which are mostly supplied by Stoilensky GOK.

➔ **Sustainable growth of financial results at VIZ-Stal**

VIZ-Stal sales revenue in Q2 2007 compared to Q1 2007 went up by RUR 614.2 mln (+14.7%) due to growing sales volume as well as price increase on grain- and non-grain-oriented steel in May.

The sales revenue growth in Q2 2007 of RUR 1.1 bln (+29.2%) compared to Q2 2006 is primarily attributable to the strong pricing environment and increased sales volumes.

➔ **Stoilensky GOK demonstrates growth of financial results compared to Q2 2006**

The sales revenue at Stoilensky GOK in Q2 2007 compared to Q2 2006 increased by RUR 2.1 bln (+65.1%) due to a strong pricing environment and growth of sales volumes.

The price increase of iron ore raw materials resulted in gross profit and operating profit growth in Q2 2007 compared to Q2 2006 by 105.8% and 115.3% respectively.

The financial results slightly deteriorated compared to the previous quarter due to the reduction of iron ore raw materials supply from Stoilensky GOK to the main production site in Lipetsk at the stable price level. The reduction was caused by temporary underperformance of the blast furnace №6.

➔ **Substantial increase of financial results at Altai-koks**

The financial results increase in Q2 2007 compared to the previous quarter is primarily attributable to favorable market conditions and the growth of coke sales volumes.

The growth of Altai-koks financial results in Q2 2007 compared to Q2 2006 primarily resulted from putting into operation new coke battery №5 at the end of last year.

➤ **Slight decrease of financial results at OJSC "TMTP"**

The financial results at OJSC "TMTP" decreased in Q2 2007 compared to Q1 2007 and Q2 2006.

The decrease of financial results is primarily attributable towards the drop in USD/RUB exchange rate. The USD/RUR exchange rate fluctuations have a substantial impact on sea port financial results because freight turnover tariffs are regulated by the Russian governmental agencies and fixed in US dollars. The additional factor contributing to the decrease of financial results is a declining dry freight turnover due to labor disputes between employees and sea port administration.

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

The growing volume of logistics and transportation services in Q2 2007 compared to Q2 2006 resulted in improved financial results. The additional factor contributing to favorable financial performance is the utilization of company owned railcars since September 2006. This approach enabled OJSC "NTK" to cut railcars usage fees paid to "Russian Railways" and thus decrease transportation costs.

The stable financial results in Q2 2007 compared to the previous quarter are primarily attributable towards additional costs caused by scheduled maintenance of company owned railcars during the reporting period.

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

*** LLC "VIZ-Stal" forms part of NLMK's Group since August 2006.*