

# Novolipetsk Steel (NLMK) H1 2008 Financial and Production Results

**US GAAP**

**Consolidated Financial Statements**

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# Delivering on Strategic Objectives

## Gaining global leadership

- **Efficiency leader in the world steel industry**
  - Superior financial results: revenue (+63%), operating profit (+50%), EBITDA (+47%)
  - Leading industry positions in terms of EBITDA margin (39% in H1 2008)
- **Securing leadership in the Russian market**
  - Acquisition of Maxi-Group – 2.4 million tonnes of steel and 1.3 million tonnes of longs added
  - Technical Upgrading Programme covering the period up to 2015 envisages an increase in steel output to 22 million tonnes while flat and long product output will reach 6.9 m tpa and 5.9 m tpa respectively at NLMK's Russian production sites
- **Strengthening vertical integration**
  - Stoilensky GOK continues low cost supply of iron ore
  - Altai-koks expansion provides for 100% self-sufficiency in coke
  - Second largest scrap collector in Russia after Maxi-Group acquisition
  - Captive logistics company, NTK provides over 40% of the Group retail freight
  - Substantial part of electric energy needs covered internally
- **Fast track development of high value added (HVA) product portfolio**
  - An increase in sales volumes of galvanized (+10%) and transformer (+6%) steel
  - A decrease in sales of semi-finished products by 3 p.p.
  - Acquisition of JMC, a US largest tubular manufacturer

# H1 2008 Highlights

- **Active portfolio management through acquisitions and disposals**
  - February 2008 - NLMK reached an agreement to amend the terms of its contract with Duferco. NLMK is granted a perpetual option to acquire one share in SIF (the JV with Duferco). From December 18, 2010, NLMK is granted a perpetual option to buy all of Duferco's interest in the JV
  - May 2008 – NLMK dacquire 100% of the trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland. The transaction was EUR 77 million worth
  - August 2008 - NLMK NLMK reached a definitive agreement to acquire U.S. steel pipe and tube manufacturer *John Maneely Company (JMC)* for USD3.53 bn
- **Technical Upgrading Programme**
  - The Strategic Planning Committee approved the key parameters of the Group's Technical Upgrading Programme, covering the period up to 2015
  - Refurbishment and commissioning of the Concasting Machine (CCM-6), which has a 2.5 million tpy capacity
  - 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
- **Optimization of structure and control over assets**
  - May 2008, NLMK completed the acquisition of a 3.02% stake in Stoilensky GOK's charter capital, thus obtaining 100% control over the enterprise
  - May 2008, buy-out offers were sent to the minority shareholders of Stagdok, Dolomite, Altai-Koks, and in July NLMK completed the buyouts thus increasing its holding in the companies to 100%

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# Financial Performance

Record results, high profitability

- Revenue: USD 5,884 million (+63% y-o-y)
- Operating profit: USD 2,070 million (+50% y-o-y)
- EBITDA<sup>1</sup>: USD 2,313million (+47% y-o-y)
- EBITDA margin: 39%
- Net income: USD 1,531 million (+44% y-o-y)
- Cash and cash equivalents as at 30.06.2008: USD 1,325 million
- EPS: USD 0.255 (+44% y-o-y)

- Steel production and steel products sales in H1 2008 totalled 5.9 and 5.7m t correspondingly
- EBIT per tonne of steel in H1 2008: USD 351/t

<sup>1</sup> EBITDA is calculated as the sum total of net profit, net interest expense, income tax, loss on disposal of fixed assets, impairment losses, accretion expense on asset retirement obligation, depreciation and amortization (without gain | (loss) on investments, income from discontinued operations, gain from disposal of subsidiaries and gain on loan restructuring).

# Financial Performance

## Substantial growth of revenues and profit

- **Revenue up by 63%**
  - Price growth
  - Sales volume growth
  - Consolidation of Maxi-Group (from December 2007)
- **EBITDA up by 47%**
  - Cost inflation outruns sales revenue growth
- **Net income up by 44%**
  - Operating profit growth and recovery of accrued tax assets

(USD mln)	H1 2008	H1 2007	H1 2008/H1 2007		Q2 2008 <sup>1</sup>	Q1 2008	Q2 2008/Q1 2008	
			+ / -	%			+ / -	%
Revenue	5,883.6	3,609.1	2,274.5	63.0%	3,530.4	2,353.3	1,177.1	50.0%
Cost of sales	(3,234.4)	(1,860.8)	(1,373.6)	73.8%	(1,920.1)	(1,314.3)	(605.9)	46.1%
<i>Production cost</i>	<i>(2,988.5)</i>	<i>(1,663.1)</i>	<i>(1,325.5)</i>	<i>79.7%</i>	<i>(1,793.6)</i>	<i>(1,194.9)</i>	<i>(598.7)</i>	<i>50.1%</i>
<i>Amortization</i>	<i>(245.9)</i>	<i>(197.8)</i>	<i>(48.1)</i>	<i>24.3%</i>	<i>(126.5)</i>	<i>(119.4)</i>	<i>(7.2)</i>	<i>6.0%</i>
Gross profit	2,649.2	1,748.2	900.9	51.5%	1,610.2	1,039.0	571.2	55.0%
Operating profit	2,069.7	1,384.1	685.6	49.5%	1,293.3	776.4	516.9	66.6%
- as% of net sales	35.2%	38.4%			36.6%	33.0%		
Net income	1,530.8	1,065.0	465.8	43.7%	913.1	617.7	295.4	47.8%
- as% of net sales	26.0%	29.5%			25.9%	26.2%		
EBITDA	2,313.3	1,570.6	742.7	47.3%	1,437.6	875.7	561.8	64.2%
- as% of net sales	39.3%	43.5%			40.7%	37.2%		

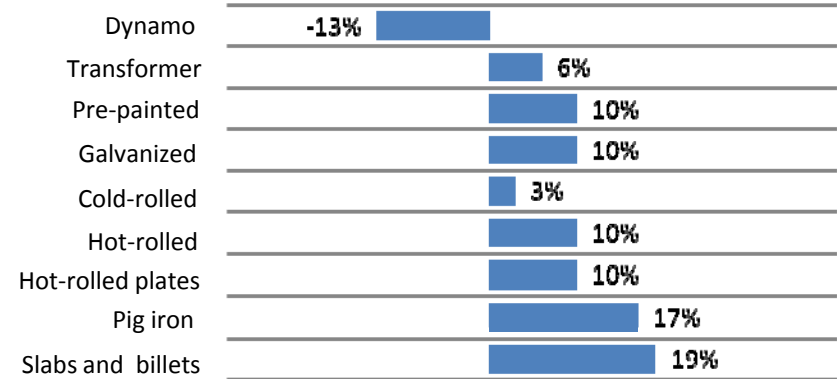
<sup>1</sup> Hereinafter reporting periods are H1 and Q1 2008 and H1 2007, Q2 2008 data are received by calculation.



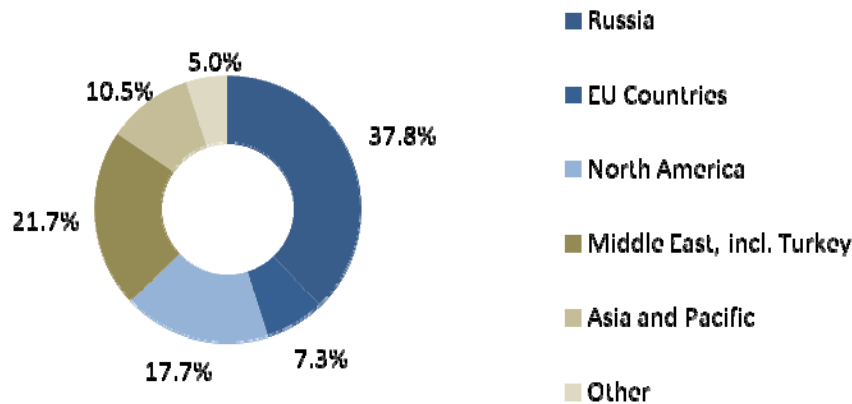
# Steel Product Sales

- **Growth of HVA products sales**
  - Galvanized steel + 10%
  - Pre-painted steel + 10%
  - Transformer steel+ 6%
- **10% growth in hot-rolled products sales**
- **Substantial growth of semi-finished products sales**

**Change in product mix, H1 2008/H1 2007**

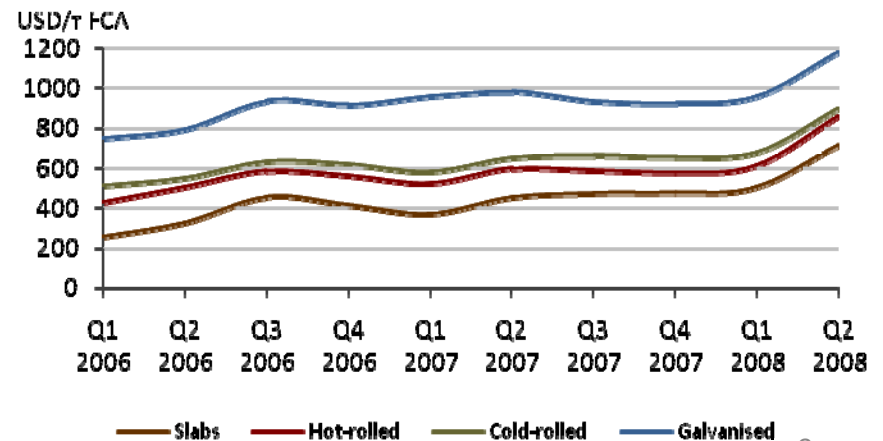


**Sales by region (H1 2008)<sup>1</sup>**



<sup>1</sup> Tonnage-wise

**Average sales price<sup>2</sup>**



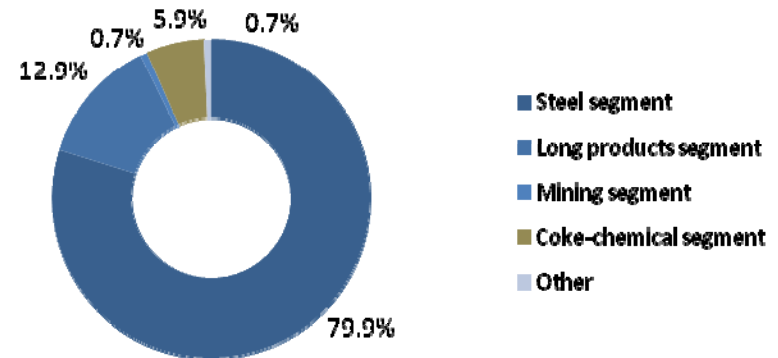
<sup>2</sup> NLMK Group parent company's prices

# H1 2008 Sales Revenue

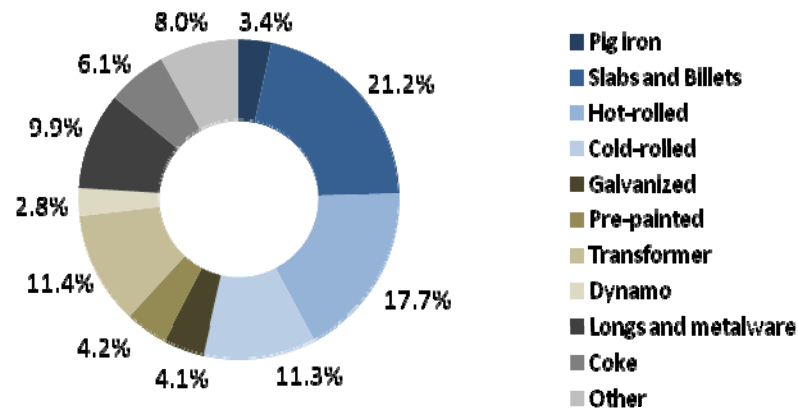
## Growing share of finished products

- **Revenue by segment:**
  - Steel segment: 80%
  - Long products segment: 13%
- **Domestic market provides 33% of revenue**
- **HVA products contributed 34% of total revenue:**
  - CRC 11%
  - Coated steel 8%
  - Electrical steel 14%

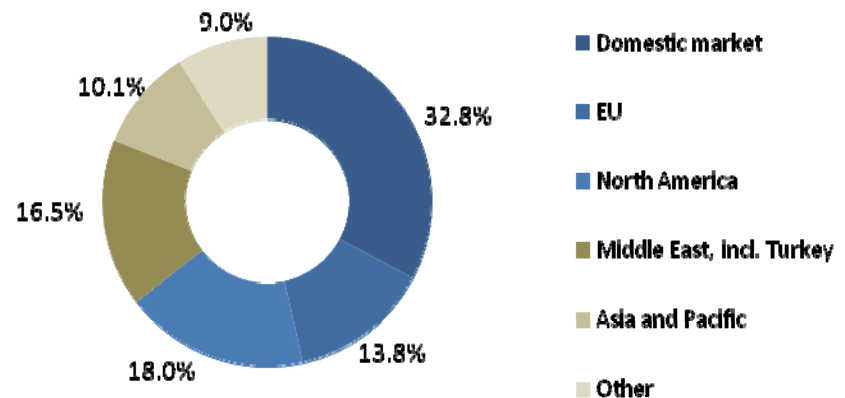
**Sales revenues by segment**



**Sales revenues by product**



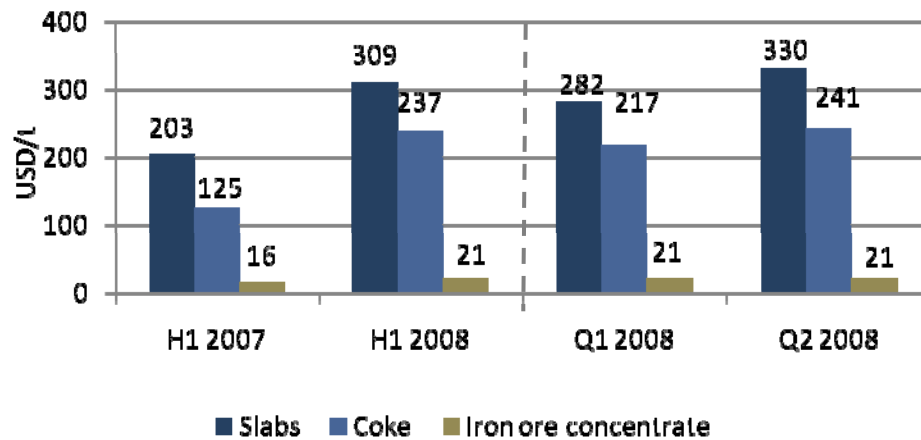
**Sales revenues by region**



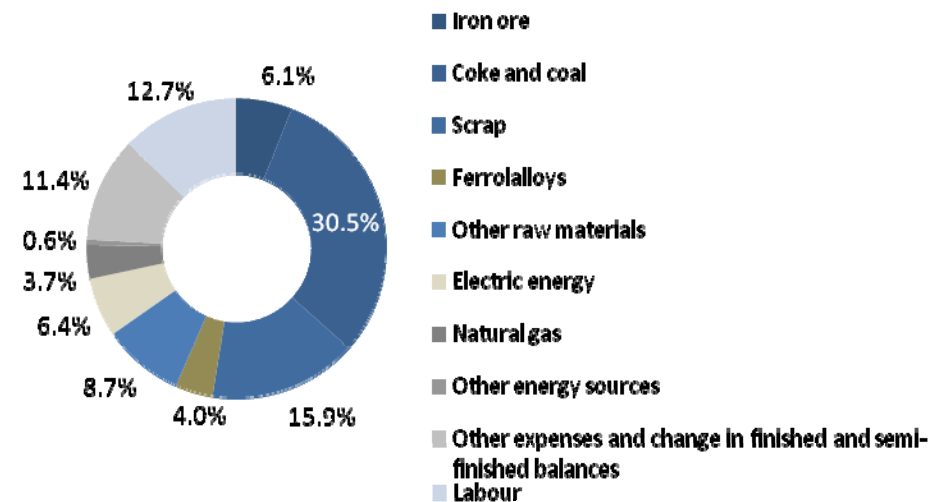
# Costs

- H1 2008 slab cash cost on a consolidated basis is USD 309
- Iron ore accounts for 6.1% of consolidated production cost
- Major cost items: coal, scrap, labour and energy
- H1 2008 coking coal cost grew by 30.5%, as compared to 25.8% growth in H1 2007

Cash cost by product

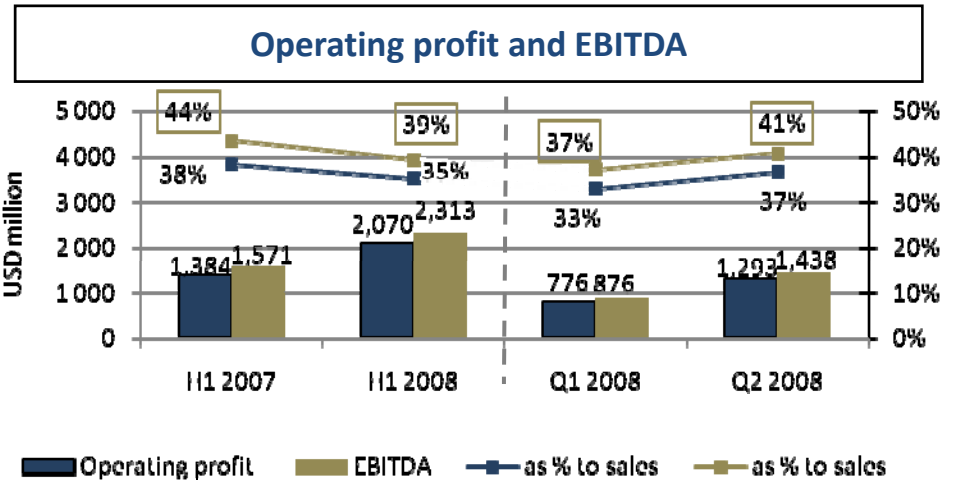


Consolidated production cost, H1 2008

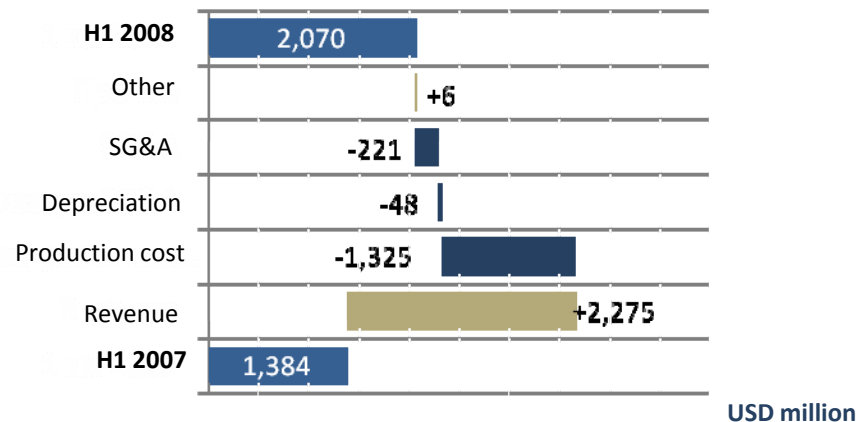


# Operating Profit & EBITDA

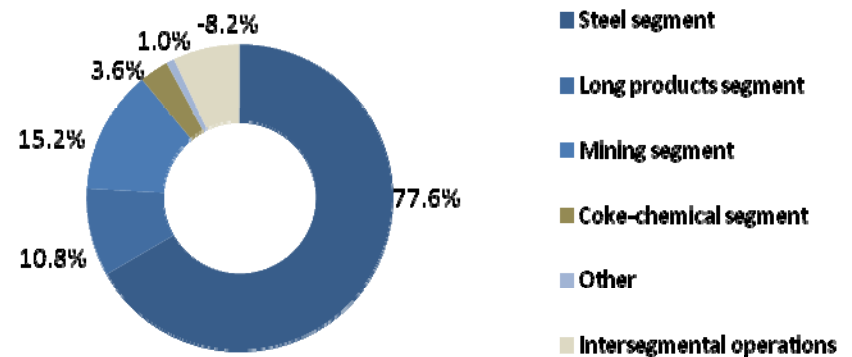
- **Operating profit:**
  - USD 2,070 million (+50% y-o-y)
- **EBITDA:**
  - USD 2,313 million (+47% y-o-y)
- **Key segments contributing to operating profit:**
  - Steel segment 78%
  - Mining segment 15%



**Operating profit drivers**



**Operating profit by segment, H1 2008**



# Drivers of success

**Key factors contributing to strong financial performance of the Group in Q1 2008:**

- **Favorable pricing environment in key product markets**
- **Increased sales and production volumes**
- **High level of vertical integration**
- **2<sup>nd</sup> Phase of Technical Upgrading Programme being successfully carried out**
- **Acquisition of new assets**

# Outlook

## Sustainable financial performance

- **In 2008 steel production at our main site in Lipetsk is expected to reach 9.4 million tonnes**
- **Consolidation of Maxi-Group and increased output of steel and long products**
- **We expect FY2008 revenue to exceed USD13.0 bn, and EBITDA to hit the level of over USD5 bn**

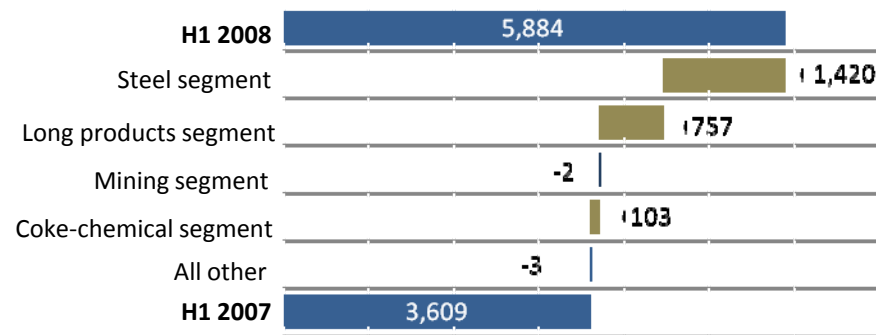
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# Financial Performance by Segment

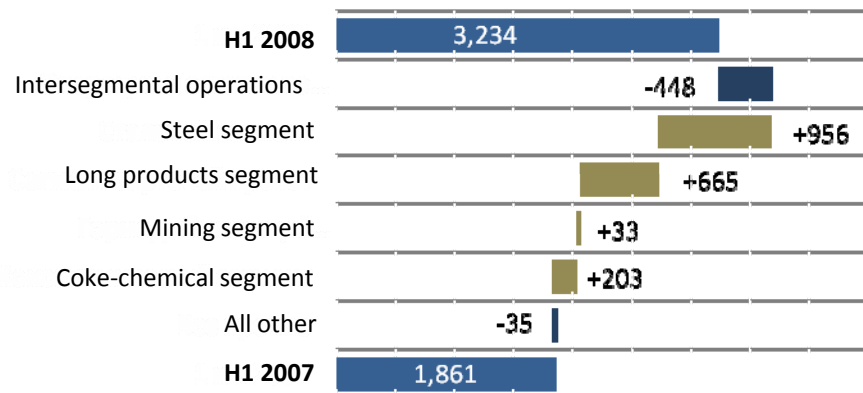
- Sales revenue growth from external customers largely generated by steel and long products segments
- Consolidation of newly acquired assets, robust steel, iron ore and coke prices contributed to profit growth

## Sales revenues from external customers



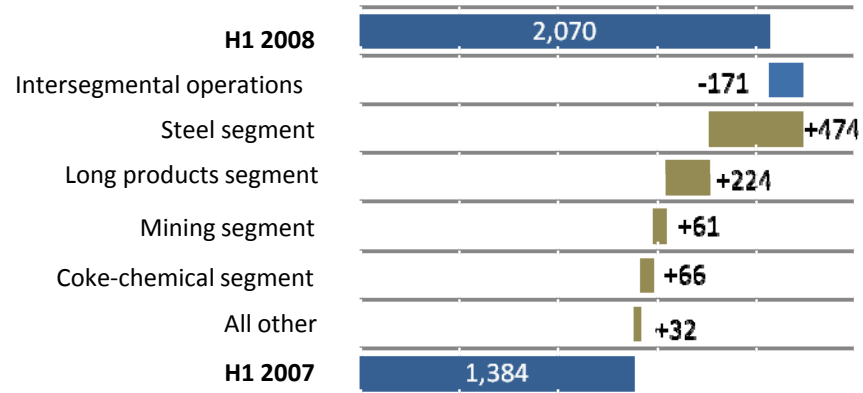
USD million

## COGS



USD million

## Operating profit



USD million



# Steel Segment

## Performance highlights

- **4.8 million tonnes of steel production fully in line with projected level**
- **H1 2008 sales volumes reached 4.7 million tonnes (+5%)**
- **Steel segment revenue: USD 4,851 million (+47%)**
- **Operating profit: USD 1,606 million (+42%)**

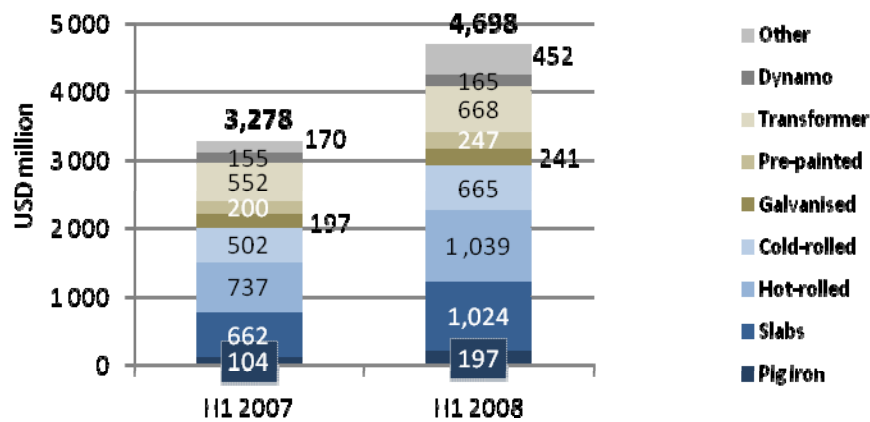
	H1 2008	H1 2007	H1 2008/H1 2007		Q2 2008	Q1 2008	Q2 2008/Q1 2008	
			+ / -	%			+ / -	%
<i>(tonnes `000)</i>								
Steel production	4,845	4,543	302	6.7%	2,459	2,386	74	3.1%
Steel sales	4,674	4,466	207	4.6%	2,544	2,130	414	19.5%
<i>(USD mln)</i>								
Revenue	4,851	3,290	1,560	47.4%	2,986	1,865	1,121	60.1%
<i>incl. external customers</i>	4,698	3,278	1,420	43.3%	2,919	1,779	1,139	64.0%
Cost of sales	(2,861)	(1,905)	(956)	50.2%	(1,700)	(1,161)	(539)	46.4%
Operating profit	1,606	1,131	474	41.9%	1,076	529	547	103.4%
- as % of revenue	33%	34%			36%	28%		

# Steel Segment

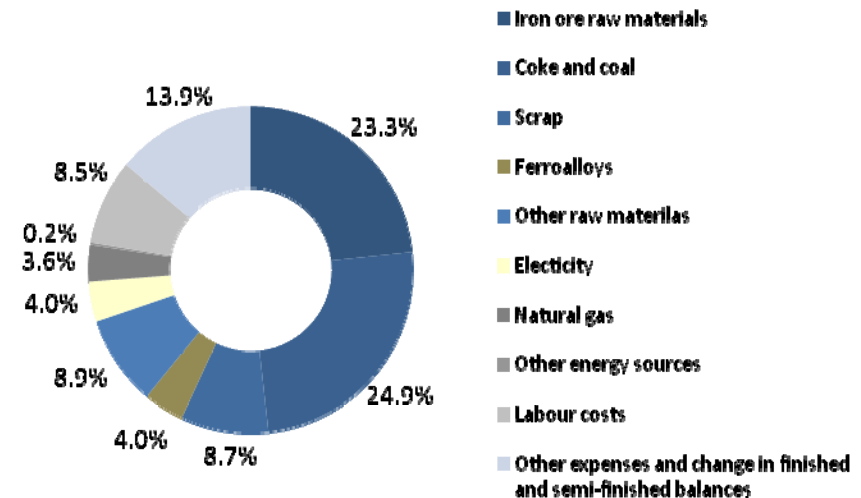
## Sales revenues and cost structure

- Rising prices of NLMK’s products was a key driver for sales revenue growth
- Sales revenue growth from high margin products:
  - +55% revenue from sales of slabs
  - +33% revenue from sales of cold-rolled steel products
  - +23% revenue from sales of coated steel products
  - +21% revenue from sales transformer steel
- Raw material price rise triggered increase in costs

Sales revenues from external customers by product



Steel Segment production cost, H1 2008



# Long Products Segment

## Performance highlights

- Long product segment comprises performance of Maxi-Group in December 2007
- In H1 2008 Maxi-Group produced 1.047 million tonnes of steel, 293,000 tonnes of billets and 708,000 tonnes of long products and metalware
- Revenue of the segment reached USD 989 million including USD 757 million of revenue from external customers
- Rebar sales generates the largest share of sales revenue from external customers
- Substantial part of intra segmental sales comes from scrap sales

	H1 2008	H1 2007	H1 2008/H1 2007		Q2 2008	Q1 2008	Q2 2008/Q1 2008	
			+ / -	%			+ / -	%
<i>(tonnes`000)</i>								
Steel production	1,047	-	-	-	559	487	72	14.8%
Long products and metalware production	708	-	-	-	358	351	7	2.1%
Steel sales	1,000	-	-	-	524	476	48	10.0%
<i>(USD mln)</i>								
Revenue	989	-	-	-	605	384	220	57.4%
<i>incl. external customers</i>	757	-	-	-	408	348	60	17.2%
Cost of sales	(665)	-	-	-	(357)	(308)	(49)	15.9%
Operating profit	224	-	-	-	187	37	150	405.9%
- as % of revenue	23%	-	-	-	31%	10%	21%	221.5%

# Mining Segment

## Performance highlights

- Mining segment covers 100% of NLMK's requirements in iron ore concentrate, flux and dolomite
- The segments sales revenue growth was due to rising prices and an increase in iron ore sales to the main production site in Lipetsk

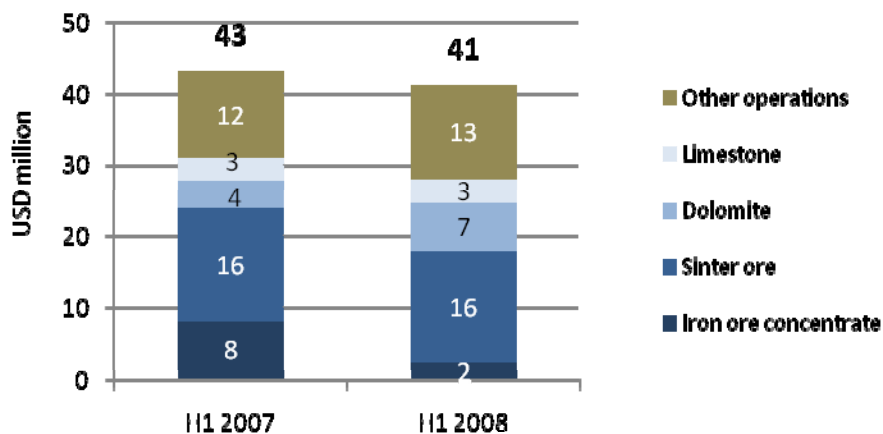
	H1 2008	H1 2007	H1 2008/H1 2007		Q2 2008	Q1 2008	Q2 2008/Q1 2008	
			+ / -	%			+ / -	%
<i>(tonnes`000)</i>								
Production								
iron-ore concentrate	5,907	5,837	70	1.2%	3,003	2,904	99	3.4%
sinter ore	823	846	(23)	(2.7%)	430	393	37	9.4%
dolomite	1,127	972	155	16.0%	532	595	(63)	(10.6%)
limestone	1,712	1,634	78	4.8%	912	800	112	14.0%
Sales								
iron-ore concentrate	5,829	5,741	88	1.5%	2,829	3,000	(171)	(5.7%)
in NLMK Group	5,789	5,617	172	3.1%	2,810	2,979	(169)	(5.7%)
sinter ore	800	862	(62)	(7.2%)	381	418	(37)	(8.7%)
in NLMK Group	401	329	72	21.9%	160	241	(81)	(33.6%)
dolomite	1,075	972	103	10.6%	522	553	(31)	(5.5%)
in NLMK Group	496	515	(19)	(3.8%)	251	245	6	2.4%
limestone	1,716	1,615	101	6.2%	914	802	112	14.0%
in NLMK Group	1,274	1,321	(47)	(3.6%)	652	622	30	4.8%
<i>(USD mln)</i>								
Revenue	533	431	102	23.6%	267	266	01	0.3%
incl. external customers	41	43	(2)	(4.4%)	20	21	(01)	(2.8%)
Cost of sales	(179)	(146)	(33)	22.7%	(89)	(91)	2	(2.2%)
Operating profit	316	255	61	23.8%	159	156	03	1.8%
- as % of revenue	59%	59%			60%	59%		

# Mining Segment

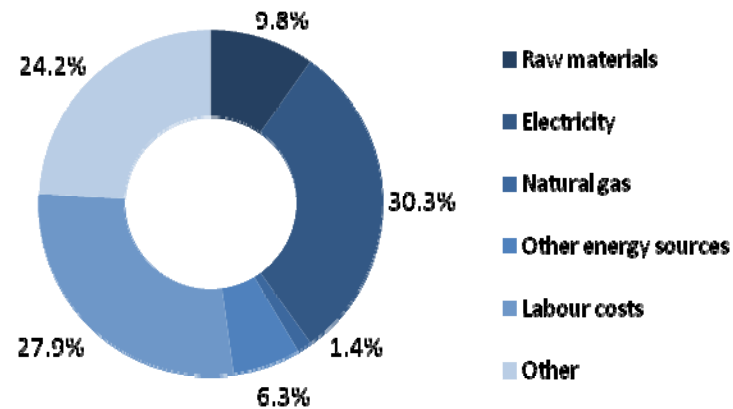
## Sales revenues and cost structure

- **Sales revenue from external customers:**
  - USD 41 million (1% of consolidated sales revenue)
- **38% share of sales revenue from external customers is contributed by sinter ore sales**
- **Sustainably low production costs – only 26% increase on y-o-y basis**

Sales revenues from external customers by product



Mining Segment production cost, H1 2008



# Coke-chemical Segment

## Performance highlights

Altai-koks is the largest single-site coke-chemical producer in Russia

- A 2-fold increase of intersegmental sales)
- Rise in coke prices contributed to increase in revenue from external customers by 42% y-o-y
- Profitability decrease is due to sharp increases in coking coal concentrate prices

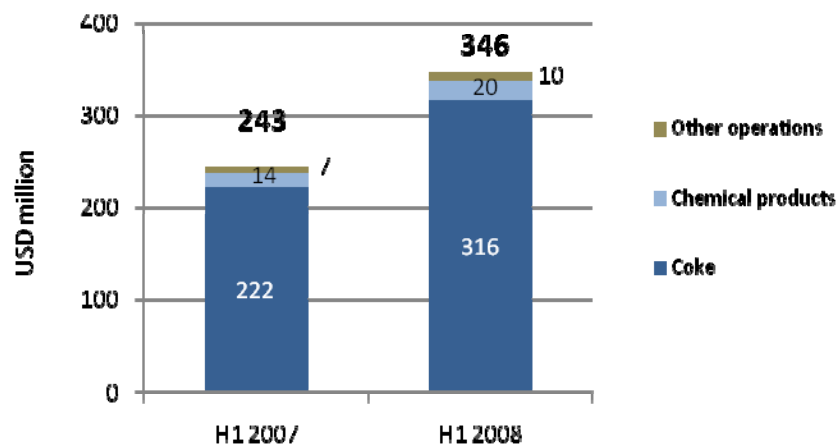
	H1 2008	H1 2007	H1 2008/H1 2007		Q2 2008	Q1 2008	Q2 2008/Q1 2008	
			+ / -	%			+ / -	%
<i>(tonnes`000)</i>								
Production								
coke 6% moisture	1,877	1,924	(47)	(2.4%)	971	906	65	7.2%
Sales								
dry coke	1,826	1,807	18	1.0%	961	865	97	11.2%
in NLMK Group	707	274	433	158.3%	483	225	258	114.9%
<i>(USD mln)</i>								
Revenue	569	290	279	96.3%	310	260	50	19.4%
<i>incl. external customers</i>	346	243	103	42.3%	162	184	(22)	(12.2%)
Cost of sales	(441)	(238)	(203)	85.3%	(249)	(191)	(58)	30.6%
Operating profit	74	9	66	773.5%	35	39	(4)	(10.2%)
- as % of revenue	13%	3%			11%	15%		

# Coke-chemical Segment

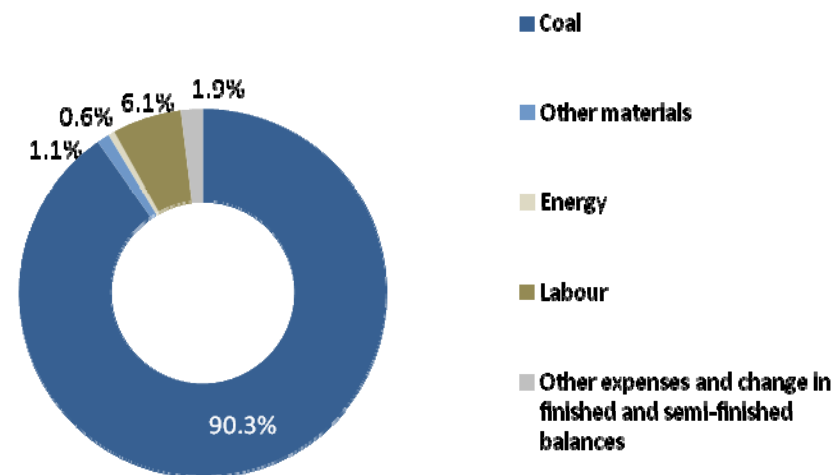
## Sales revenues and cost structure

- Coke sales contributed 91% to sales revenue from external customers
- Altai-koks sources coking coal from Kuznetsk Coal Basin producers
- Coal accounts for 90% of production cost

Sales revenues from external customers by product



Coke Chemical production cost, H1 2008



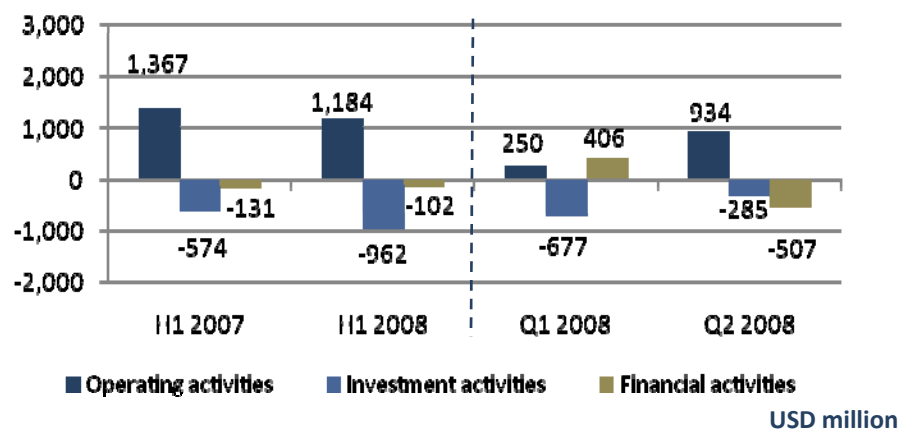
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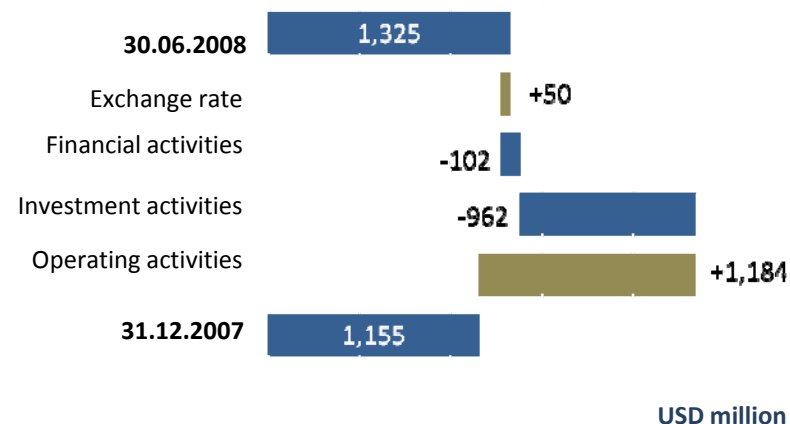


# Key Financial Indicators

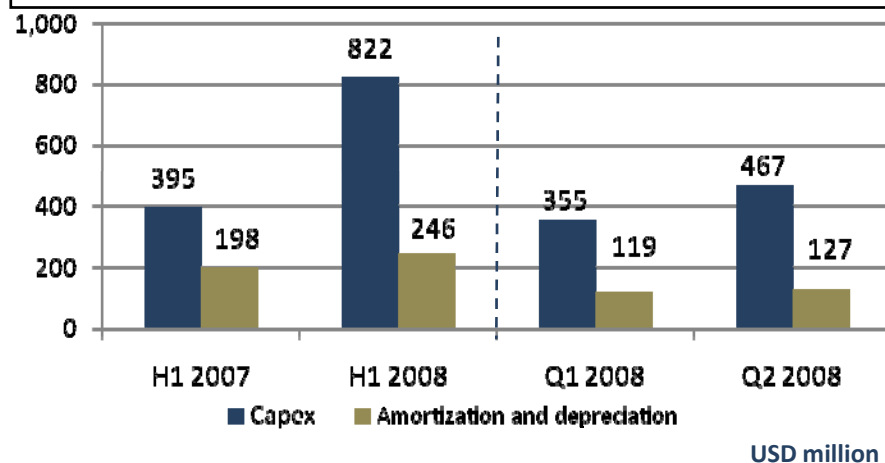
## Net cash flow



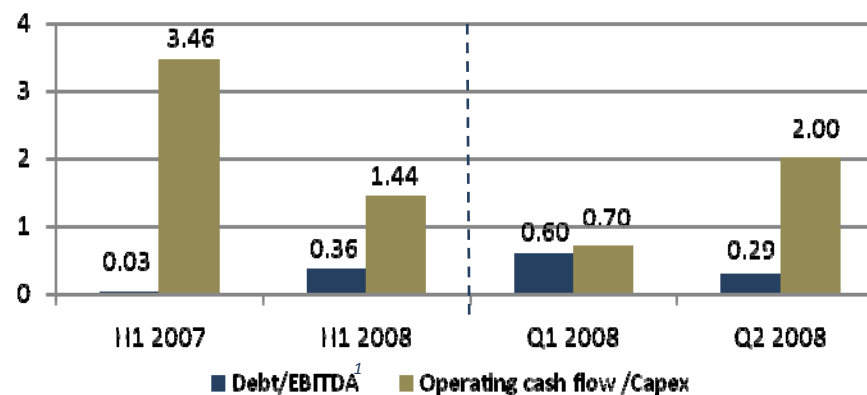
## Cash and cash equivalents



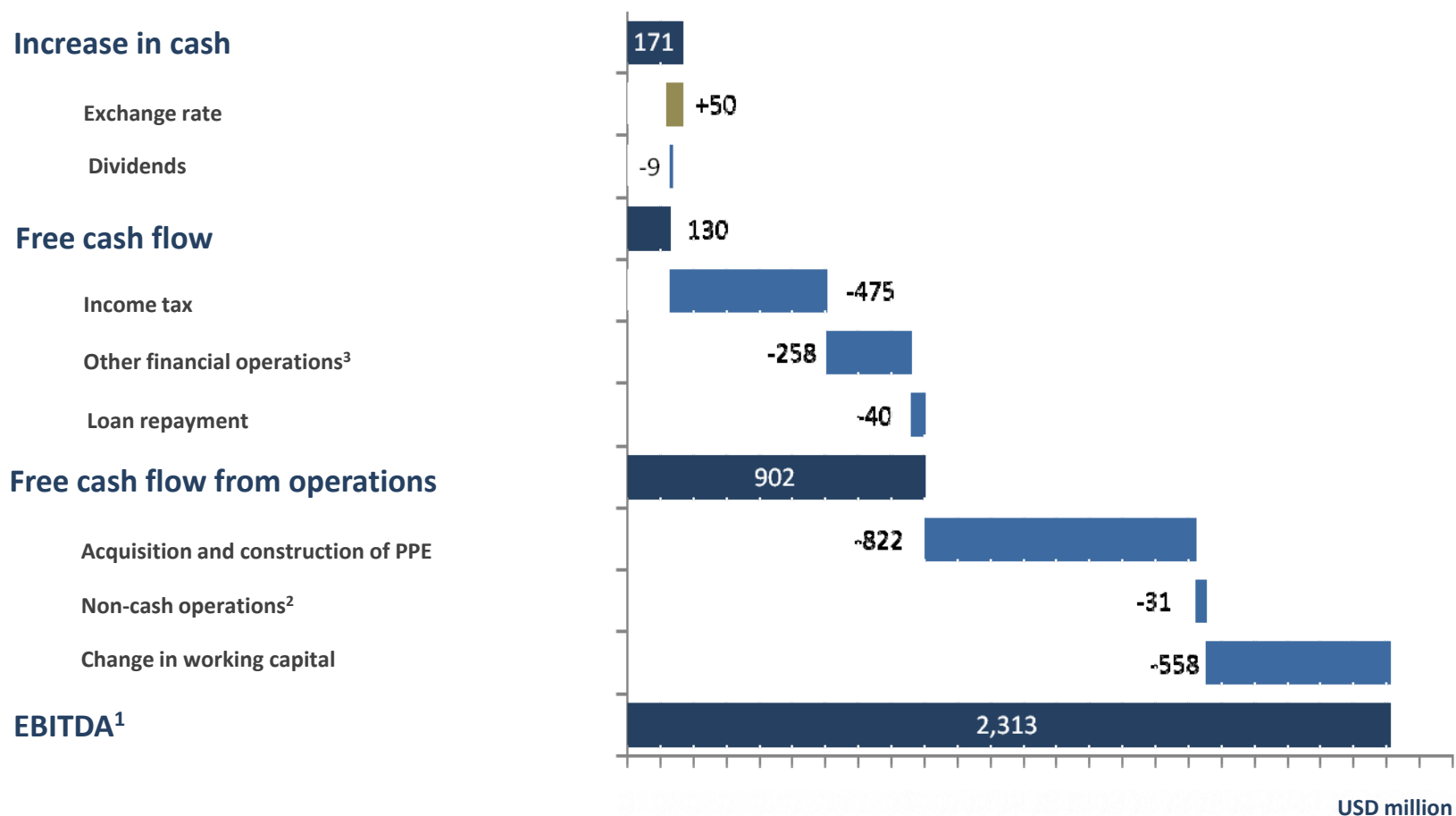
## Capex and depreciation & amortization



## Financial ratios



# H1 2008 EBITDA to Cash bridge



<sup>1</sup> EBITDA = Net income (post share of minorities) + income tax ± interest expense/(income) + depreciation ± losses/(gains) on disposals of property, plant and equipment ± losses/(gains) on financial investment ± losses/(gains) from discontinued operations + impairment losses + accretion expense on asset retirement obligations

<sup>2</sup> Non-cash transactions include corrections for coordinating net profit and net operating cash flow excluding depreciation & amortization, losses/(gains) on disposals of property, plant and equipment, accretion expense on asset retirement obligations, losses/(gains) on financial investment and losses/(gains) from discontinued operations

<sup>3</sup> Other financing activities include losses/(gains) on disposals of property, plant and equipment, gain from disposal of subsidiaries, acquisitions of stake in existing subsidiaries and change in restricted cash funds as well as other financial corrections

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# Consolidated Statement of Income

<i>(mln USD)</i>	H1 2008	H1 2007	H1 2008/H1 2007		Q2 2008	Q1 2008	Q2 2008/Q1 2008	
			+/-	%			+/-	%
Sales revenue	5,884	3,609	2,275	63.0%	3,530	2,353	1,177	50.0%
Production cost	(2,989)	(1,663)	(1,325)	79.7%	(1,794)	(1,195)	(599)	50.1%
Depreciation and amortization	(246)	(198)	(48)	24.3%	(127)	(119)	(7)	6.0%
<b>Gross profit</b>	<b>2,649</b>	<b>1,748</b>	<b>901</b>	<b>51.5%</b>	<b>1,610</b>	<b>1,039</b>	<b>571</b>	<b>55.0%</b>
General and administrative expenses	(171)	(107)	(65)	60.6%	(91)	(80)	(11)	14.2%
Selling expenses	(344)	(212)	(132)	62.2%	(192)	(151)	(41)	27.0%
Taxes other than income tax	(65)	(40)	(25)	63.3%	(33)	(31)	(2)	6.9%
Accretion expense on asset retirement obligations		(6)	6					
<b>Operating income</b>	<b>2,070</b>	<b>1,384</b>	<b>686</b>	<b>49.5%</b>	<b>1,293</b>	<b>776</b>	<b>517</b>	<b>66.6%</b>
Gain / (loss) on disposals of property, plant and equipment	(1)	(20)	19	(97.1%)	(7)	6	(13)	
Gains / (losses) on investments	4	(3)	7		(2)	6	(9)	
Interest income	45	45	1	1.3%	13	33	(20)	(60.7%)
Interest expense	(110)	(12)	(98)	810.2%	(55)	(55)	1	(1.0%)
Foreign currency exchange loss, net	36	15	21	137.8%	7	29	(21)	(74.1%)
Gain from disposal of subsidiaries		82	(82)					
Other expense, net	(54)	2	(56)		(22)	(32)	10	(31.3%)
<b>Income from continuing operations before income tax and minority interest</b>	<b>1,990</b>	<b>1,492</b>	<b>498</b>	<b>33.4%</b>	<b>1,227</b>	<b>763</b>	<b>465</b>	<b>60.9%</b>
Income tax	(475)	(424)	(51)	12.0%	(347)	(128)	(218)	170.2%
<b>Income from continuing operations before minority interest</b>	<b>1,515</b>	<b>1,068</b>	<b>447</b>	<b>41.9%</b>	<b>881</b>	<b>635</b>	<b>246</b>	<b>38.8%</b>
Minority interest	(27)	(12)	(15)	127.2%	(18)	(9)	(9)	101.5%
Equity in net earnings/(losses) of associate	43	8	35	453.4%	51	(8)	58	
<b>Income from continuing operations</b>	<b>1,531</b>	<b>1,064</b>	<b>467</b>	<b>43.9%</b>	<b>913</b>	<b>618</b>	<b>295</b>	<b>47.8%</b>
Income from discontinuing operations		1	(1)					
<b>Net income</b>	<b>1,531</b>	<b>1,065</b>	<b>466</b>	<b>43.7%</b>	<b>913</b>	<b>618</b>	<b>295</b>	<b>47.8%</b>
<b>EBITDA</b>	<b>2,313</b>	<b>1,571</b>	<b>743</b>	<b>47.3%</b>	<b>1,438</b>	<b>876</b>	<b>562</b>	<b>64.2%</b>

# Consolidated Balance Sheet

	as at 30.06.2008	as at 31.03.2008	as at 31.12.2007	as at 30.09.2007	as at 30.06.2007	as at 31.03.2007	as at 31.12.2006
(mln. USD)							
<b>ASSETS</b>							
<b>Current assets</b>	<b>5,249</b>	<b>5,094</b>	<b>4,388</b>	<b>3,904</b>	<b>3,629</b>	<b>3,484</b>	<b>3,050</b>
Cash and cash equivalents	1,325	1,181	1,155	1,388	1,349	898	665
Short-term investments	181	177	153	144	137	37	37
Accounts receivable, net	1,822	2,040	1,696	1,194	1,110	1,252	1,150
Inventories, net	1,735	1,527	1,236	1,043	936	874	857
Other current assets, net	172	169	147	134	97	370	331
Restricted cash	13					9	8
Current assets, held for sale						44	
<b>Non-current assets</b>	<b>9,864</b>	<b>9,318</b>	<b>8,688</b>	<b>6,105</b>	<b>5,783</b>	<b>5,821</b>	<b>5,667</b>
Long-term investments, net	894	864	819	880	861	856	810
Property, plant and equipment, net	7,348	6,969	6,450	4,409	4,128	3,985	3,988
Intangible assets	278	191	189	192	191	195	199
Goodwill	1,284	1,242	1,189	591	571	567	560
Other non-current assets, net	60	53	41	33	32	104	110
Non-current assets, held for sale						114	
<b>Total assets</b>	<b>15,112</b>	<b>14,413</b>	<b>13,076</b>	<b>10,009</b>	<b>9,412</b>	<b>9,305</b>	<b>8,717</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>							
<b>Current liabilities</b>	<b>3,517</b>	<b>3,248</b>	<b>3,002</b>	<b>992</b>	<b>980</b>	<b>943</b>	<b>993</b>
Accounts payable and other liabilities	1,757	1,220	1,395	860	830	718	664
Short-term borrowings	1,608	1,934	1,537	52	72	99	249
Current income tax liability	152	94	71	80	78	84	80
Current liabilities, held for sale						41	
<b>Non-current liabilities</b>	<b>939</b>	<b>1,025</b>	<b>975</b>	<b>640</b>	<b>597</b>	<b>819</b>	<b>781</b>
Long-term borrowings	77	170	73	19	19	51	48
Deferred income tax liability	552	538	586	593	564	552	538
Other long-term liabilities	310	317	317	28	14	41	195
Non-current liabilities, held for sale						175	
<b>Total liabilities</b>	<b>4,456</b>	<b>4,273</b>	<b>3,978</b>	<b>1,631</b>	<b>1,576</b>	<b>1,762</b>	<b>1,774</b>
Minority interest	53	94	107	119	109	136	133
<b>Stockholders' equity</b>	<b>10,604</b>	<b>10,046</b>	<b>8,992</b>	<b>8,258</b>	<b>7,726</b>	<b>7,406</b>	<b>6,809</b>
Common stock	221	221	221	221	221	221	221
Statutory reserve	10	10	10	10	10	10	10
Additional paid-in capital	52	52	52	52	52	52	2
Other comprehensive income	1,641	1,618	1,182	1,038	738	680	590
Retained earnings	8,679	8,144	7,526	6,936	6,704	6,443	5,986
<b>Total liabilities and stockholders' equity</b>	<b>15,112</b>	<b>14,413</b>	<b>13,076</b>	<b>10,009</b>	<b>9,412</b>	<b>9,305</b>	<b>8,717</b>

# Consolidated Cash Flow Statement

(mln. USD)	H1 2008	H1 2007	H1 2008/H1 2007		Q2 2008	Q1 2008	Q2 2008/Q1 2008	
			+ / -	%			+ / -	%
<b>Cash flow from operating activities</b>								
<b>Net income</b>	1,531	1,065	466	43.7%	913	618	295	47.8%
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>								
Minority interest	27	13	14	108.6%	18	9	9	101.5%
Depreciation and amortization	246	198	48	24.3%	127	119	7	6.0%
Loss on disposals of property, plant and equipment	1	20	(19)	(97.1%)	7	(6)	13	
(Gain)/loss on investments	(4)	3	(7)		2	(6)	9	
Gain from disposal of subsidiaries		(82)	82					
Equity in net earnings of associate	(43)	(8)	(35)	453.4%	(51)	8	(58)	
Defferd income tax (benefit)/expense	(63)	48	(111)		7	(70)	78	
Accretion expense on asset retirement obligations		6	(6)					
Other movements	48	(2)	49		43	5	39	837.7%
<b>Changes in operating assets and liabilities</b>								
Increase in accounts receivables	183	(18)	201		444	(261)	705	
Increase in inventories	74	(80)	154		304	(229)	533	
Decrease/(increase) in other current assets	(18)	(10)	(8)	73.3%	(3)	(15)	12	(78.8%)
Increase in loans provide by the subsidiary bank		(104)	104					
Increase in accounts payable and oher liabilities	(871)	338	(1,209)		(931)	60	(991)	
Increase/(decrease) in current income tax payable	73	(21)	93		53	19	34	179.0%
<b>Net cash provided from operating activities</b>	1,184	1,367	(183)	(13.4%)	934	250	684	273.5%
<b>Cash flow from investing activities</b>								
Acquisitions of subsidiaries	(126)		(126)		(98)	(28)	(70)	247.8%
Payment for acquisition of interests in new subsidiaries	(300)		(300)			(300)	300	
Cash acquired in business combination								
Proceeds from adjustment of the original purchase price of subsidiaries		37	(37)					
Proceeds from sale of property, plant and equipment	6	7	(1)	(11.0%)	2	4	(2)	(51.4%)
Purchases and construction of property, plant and equipment	(822)	(395)	(427)	108.0%	(467)	(355)	(112)	31.5%
Proceeds from sale of investments	20	6	13	205.0%	(2)	21	(23)	
Purchase of investments	(25)	(36)	11	(31.3%)	(5)	(19)	14	(72.7%)
Net cash received in acquisition of interests in new subsidiaries	298		298		298		298	
Loan issued		(133)	133					
Disposal of subsidiaries		(59)	59					
Movement of restricted cash	(13)	(1)	(12)	1152.9%	(13)		(13)	
<b>Net cash used in investing activities</b>	(962)	(574)	(388)	67.6%	(285)	(677)	393	(58.0%)
<b>Cash flow from financing activities</b>								
Proceeds from borrowings and notes payable	937	30	907	3011.9%	84	853	(769)	(90.2%)
Repayments of borrowings and notes payable	(977)	(225)	(751)	333.4%	(538)	(438)	(100)	22.8%
Capital lease payments	(53)	(2)	(52)	3406.8%	(44)	(9)	(35)	394.4%
Proceeds from disposal of assets to the company under common control		78	(78)					
Dividends paid to minority shareholder of existing subsidiaries	(6)	(8)	2	(30.3%)	(6)	(0)	(6)	26600.0%
Dividends to shareholders	(3)	(4)	1	(24.1%)	(3)	(0)	(3)	1082.9%
<b>Net cash used in financing activities</b>	(102)	(131)	29	(22.1%)	(507)	406	(913)	
<b>Net increase / (decrease) in cash and cash equivalents</b>	121	663	(542)	(81.8%)	142	(22)	164	
Effect of exchange rate changes on cash and cash equivalents	50	21	29	140.8%	2	48	(47)	(96.5%)
Cash and cash equivalents at the beginning of the period	1,155	665	489	73.6%	1,181	1,155	27	2.3%
<b>Cash and cash equivalents at the end of the period</b>	1,325	1,349	(23)	(1.7%)	1,325	1,181	144	12.2%

# Segmental Information

H1 2008		Steel	Long products	Mining	Coke-chemical	All other	Totals	Intersegmental operations and balances	Consolidated
(million USD)									
Revenue from external customers		4,698	757	41	346	41	5,884		5,884
Intersegment revenue		152	232	491	223	2	1,102	(1,102)	
Gross profit		1,990	324	353	129	21	2,816	(167)	2,649
Operating income/(loss)		1,606	224	316	74	21	2,240	(170)	2,070
<i>as % of net sales</i>		33.1%	22.7%	59.2%	13.0%	47.1%			35.2%
Income / (loss) from continuing operations before minority interest		2,083	44	269	47	16	2,459	(943)	1,515
<i>as % of net sales</i>		42.9%	4.4%	50.5%	8.3%	36.1%			25.8%
Segment assets including goodwill		11,228	3,349	1,843	1,111	334	17,865	(2,753)	15,112

H1 2007		Steel	Long products	Mining	Coke-chemical	All other	Totals	Intersegmental operations and balances	Consolidated
(million USD)									
Revenue from external customers		3,278		43	243	44	3,609		3,609
Intersegment revenue		12		388	47	39	485	(485)	
Gross profit		1,385		285	52	24	1,747	1	1,748
Operating income/(loss)		1,131		255	9	(11)	1,383	1	1,384
<i>as % of net sales</i>		34.4%		59.1%	2.9%				38.4%
Income / (loss) from continuing operations before minority interest		787		211		136	1,134	(66)	1,068
<i>as % of net sales</i>		23.9%		49.0%		163.3%			29.6%
Segment assets including goodwill		6,666		1,645	976	337	9,623	(212)	9,412

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