

Press release

18 October 2011

NLMK

NLMK Q3 2011 Trading Update

NLMK, the LSE-listed leading Russian steel producer, today announces the following regular trading update for Q3 2011.

Q3 2011 Operating Highlights¹

- Production, Q3 2011²

- Crude steel: 2.9 million tonnes (-3.6% q-o-q(hereinafter))
- Finished products: 3.5 million tonnes (+18%)

- Sales, Q3 2011

- Finished products: 3.4 million tonnes (+10.5%), including
- Slabs: 0.6 million tonnes (-49.6%)
- Flat products: 2.2 million tonnes (+63.6%)
- Long products: 0.3 million tonnes (-18.6%)

Outlook

In Q4 2011 we anticipate a 10% q-o-q growth in production volumes, largely driven by the launch of the new BF and BOF at NLMK's main production site in Lipetsk. This will allow the Group to achieve record production volumes of 12 million tonnes for 12M 2011, a 0.5 million tonne improvement y-o-y.

Q3 revenue is expected to grow ~5% q-o-q, and the EBITDA margin is estimated to be in the range of 20%.

Q4 pricing will remain largely volatile. Market conditions will be additionally affected by the seasonal lull in demand in the domestic market, as well as the overall uncertainty in the global economy.

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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Sales volumes²**NLMK Group:**

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Pig iron</i>	0.229	0.132	0.173	74.1%	32.3%
<i>Slabs</i>	0.561	1.113	0.889	-49.6%	-36.9%
<i>Flats</i>	2.218	1.356	1.465	63.6%	51.4%
<i>Billets</i>	0.010	0.024	0.073	-58.3%	-86.3%
<i>Long products</i>	0.311	0.383	0.367	-18.6%	-15.2%
<i>Metalware</i>	0.072	0.071	0.062	1.7%	16.4%
<i>Total</i>	3.402	3.078	3.030	10.5%	12.3%

Novolipetsk (NLMK's main production site in Lipetsk)

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Pig iron</i>	0.349	0.195	0.159	79.4%	119.2%
<i>Slabs</i>	0.991	1.272	0.943	-22.1%	5.0%
<i>Hot-rolled steel³</i>	0.539	0.430	0.522	25.4%	3.3%
<i>Cold-rolled steel</i>	0.367	0.383	0.362	-4.2%	1.4%
<i>Hot-dip galvanized steel</i>	0.146	0.124	0.163	17.6%	-10.2%
<i>Pre-painted steel</i>	0.130	0.123	0.089	5.7%	45.0%
<i>Dynamo steel</i>	0.059	0.076	0.069	-23.0%	-15.5%
<i>Transformer steel</i>	0.021	0.011	0.010	87.6%	109.9%
<i>Total</i>	2.602	2.614	2.318	-0.5%	12.2%

VIZ-Stal

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Transformer steel</i>	0.044	0.040	0.038	9.4%	13.1%

NLMK Europe**Strip products**⁴

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Hot-rolled steel</i>	0.176	0.218	0.193	-19.3%	-8.7%
<i>Cold-rolled steel</i>	0.024	0.025	0.021	-6.1%	10.3%
<i>Coated steel</i>	0.082	0.092	0.067	-11.1%	22.3%

Plate Products (including DanSteel A/S)⁴

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Plates</i>	0.245	0.272	0.236	-10.0%	3.9%

NLMK USA (including NLMK Indiana Inc.)⁴

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Hot-rolled steel</i>	0.210	0.207	0.228	1.1%	-8.1%
<i>Cold-rolled steel</i>	0.111	0.136	0.120	-18.2%	-7.1%
<i>Galvanized steel</i>	0.097	0.078	0.065	24.0%	49.0%

Stoilensky

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Iron ore concentrate</i>	3.460	3.462	3.051	-0.1%	13.4%
<i>Sinter ore</i>	0.409	0.440	0.508	-7.1%	-19.5%

Altai-Koks

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Coke (dry)</i>	1.006	0.931	0.810	8.1%	24.2%

Long Products Division⁵

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
Billets	0.010	0.025	0.091	-60.1%	-89.0%
Rebar	0.295	0.348	0.342	-15.3%	-13.7%
Wire rod	0.020	0.041	0.023	-50.4%	-11.9%
Metalware	0.072	0.071	0.062	1.7%	16.4%
Ferrous and nonferrous scrap⁶	1.000	0.990	1.037	1.0%	-3.5%

¹ Q3 2011 production and sales data is preliminary and subject to further update

² Excluding inter-group operations and including sales of trading companies

³ Including hot-rolled pickled steel

⁴ NLMK's international business divisions (except DanSteel A/S and NLMK Indiana Inc) are part of the Group since 01 July 2011

NLMK Europe comprises two business units, Strip Products and Plate Products.

- **NLMK Europe Strip Products** unit has an annual production capacity of 2.6 million tonnes at three production sites, NLMK La Louvière, NLMK Coating, NLMK Strasbourg, and a network of service centres.

- **NLMK Europe Plate Products** unit has an annual production capacity of 1.93 million tonnes at three production sites, NLMK Clabecq, NLMK Verona, NLMK DanSteel. Unit companies produce a full scope of products ranging from very thin/narrow to very thick/wide plates, as well as specialty steels.

NLMK USA has a diversified base of flat steel producing assets comprising three production sites at NLMK Indiana, NLMK Pennsylvania (formerly, Duferco Farrell) and Sharon Coating. It has an electric arc furnace (EAF) steelmaking capacity at NLMK Indiana of approximately 730,000 metric tonnes and rolling capacity of 2.7 million tonnes that manufacture slabs, hot-rolled, cold-rolled and galvanized products.

⁵ Long Products Division includes the following companies: NSMMZ, UZPS and other scrap collecting facilities

⁶ Including sales of NSMMZ

MANAGEMENT COMMENTS

NLMK Group operating review

NLMK Group's steel production in Q3 2011 amounted to 2.9 million tonnes (-3.6% quarter-on-quarter). The Group's steelmaking facilities were running at about 90% (100% at the Lipetsk production site; over 50% at the Long Products Division; and c.80% at NLMK's international divisions). Low capacity utilization rates at the Long Products Division were caused by the idling of one of the two EAFs following a transformer failure.

The Group's total sales amounted to 3.4 million tonnes, up 10.5% q-o-q and 12.3% y-o-y. These improvements in operating performance can be attributed largely to the consolidation of former Steel Invest and Finance (NLMK's JV with Duferco Group) rolling assets in the EU and US starting from July 1, 2011. The same factor had a noticeable impact on Q3 sales: +64% for flats and -50% for slabs.

Q3 saw stable domestic demand from construction and machine-building. Domestic sales accounted for 39%, +3 p.p. q-o-q; export deliveries went to our traditional markets, Europe, Middle East and South-East Asia.

Novolipetsk (main production site in Lipetsk)

Q3 crude steel production amounted to 2.4 million tonnes, +2% q-o-q, due to improved demand in the domestic and export markets. Steelmaking facilities were running at full capacity.

Sales remained largely flat and totaled 2.6 million tonnes (-0.5% q-o-q). Year-on-year, sales grew over 12%.

Slab sales declined 22% q-o-q, offset by the higher sales of finished rolled products.

Hot-rolled steel sales grew by almost a quarter on the back of improved demand in the export market and the seasonal recovery of demand from Russian consumers.

The Q3 stable demand from construction supported higher sales of galvanized (+17.6 q-o-q) and pre-painted steel (+5.7%). Galvanized steel sales spiked after Hot-dip Galvanizing Line #4 (HDGL-4) reached maximum capacity.

The company is steadily growing transformer steel sales at Novolipetsk (+88% q-o-q), where the Company has been upgrading its equipment since 2009 to master the manufacture of new grades of transformer steel with improved customer properties.

In October NLMK acquired a service centre in India. This will allow the company to strengthen its positions in the transformer steel market in the region.

VIZ-Stal

Q3 output grew to 44,000 tonnes (+3% q-o-q) supported by stable demand for transformer steel mostly in the export markets. This corresponds to near 100% utilization rates.

Sales grew 9% q-o-q. Alongside stable demand in the key markets, this improvement was supported by the recognition of Q2 export sales.

NLMK Europe

Strip Products

Due to the traditional vacation period in Europe, Q3 sales of strip products were sequentially

lower. As compared to Q3 of the last year, the segment sales were stable.

Plate Products (incl. DanSteel A/)

On a quarterly basis, Q3 production and sales were lower by 6% and 10% respectively. This decline was due to scheduled maintenance works conducted during seasonally weak market conditions in the region. However, as compared to the last year results, the Plates segment posted a 4% growth.

NLMK USA (incl. NLMK Indiana Inc.)

Production and sales were sequentially flat. Q3 in the US is traditionally characterized by improved demand, including from the machine-building industry. As a result, galvanized steel sales grew by 24% q-o-q to 97,000 tonnes.

Stoilensky

The Company's mining and processing operations continue to run at full capacity. Production and sales were sequentially flat and generally correspond to the production load of the blast furnace operations at the Lipetsk production site.

Iron ore sales were unchanged compared to the second quarter sales, with the bulk of the sales normally delivered to the main site in Lipetsk, and the remainder sold to the third parties. Q3 iron ore concentrate production was 13.4% higher than the same quarter of the last year. This was driven by the incremental growth of beneficiation capacities after the launch of a 2 mtpa beneficiation facility, bringing total capacity to 14 mtpa. Currently the Company is undergoing further expansion of its mining and beneficiation capacities, and continues with the construction of the 6mtpa pelletizing plant. The pelletizing plant is expected to be operational in 2014.

Prices for the Company's iron ore are stable, which is in line with the general trends in the raw materials market.

Altai-Koks

The Company saw sequential growth in the production and sales of coke by 5% and 8% respectively. The growth is mainly attributable to increased deliveries to the Lipetsk production site. An additional driving factor was better demand overall for coke in the market.

The prices were lower as compared to the second quarter of this year reflecting overall market conditions.

NLMK Long steel

Production decreased as one of the two electric arc furnaces (EAF) was stopped (for more details see the press-release published on the 29th of July) which impacted the production of and billets. To satisfy orders for finished long steel manufacturing the Company purchased billets from external suppliers, partially offsetting the negative impact of the lower steel production and maintaining its market share. As a result, Q3 sales of the rebar declined by just 15% q-o-q against 50% backdrop in crude steel production during the same period. Wire-rod sales contracted by 21,000 tonnes, and sales of metalware were higher by 1.7% q-o-q up to 72,000 tonnes.

Q3 long steel prices remained stable.

Seasonal slowdown in construction activity may impact Q4 sales of the long steel. However, NLMK Long steel is planning to restore its finished steel production to planned levels also using purchased billets as a feedstock for long steel manufacturing.

Q3 scrap sales will remain largely flat on a q-o-q basis.

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Appendix

NLMK Group Q3 2011⁶:

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Pig iron</i>	2.513	2.343	2.283	7.3%	10.1%
<i>Crude steel</i>	2.890	2.996	2.962	-3.6%	-2.4%
<i>Salable pig iron</i>	0.349	0.195	0.139	79.4%	151.7%
<i>Salable slabs</i>	0.517	0.898	0.853	-42.4%	-39.4%
<i>Flat steel</i>	2.238	1.400	1.446	59.9%	54.9%
<i>Billets</i>	0.004	0.025	0.060	-83.5%	-93.1%
<i>Long steel</i>	0.294	0.359	0.358	-17.9%	-17.8%
<i>Metalware</i>	0.072	0.070	0.061	2.8%	16.8%
<i>Total</i>	3.475	2.946	2.917	18.0%	19.1%

Novolipetsk production volumes in Q3 2011:

Million, t	Q3 2011	Q2 2011	Q3 2010	Q3 11 / Q2 11	Q3 11/ Q3 10
<i>Pig iron</i>	2.513	2.343	2.283	7%	10.1%
<i>Crude steel</i>	2.402	2.365	2.324	2%	3.4%
<i>Salable slabs</i>	0.947	1.062	0.967	-11%	-2.0%
<i>Hot-rolled steel⁷</i>	0.534	0.453	0.544	18%	-1.8%
<i>Cold-rolled steel</i>	0.368	0.378	0.361	-3%	1.8%
<i>Galvanized steel</i>	0.152	0.132	0.159	15%	-4.4%
<i>Pre-painted steel</i>	0.131	0.124	0.082	5%	59.6%
<i>Dynamo steel</i>	0.060	0.068	0.074	-12%	-19.0%
<i>Transformer steel</i>	0.021	0.013	0.010	57%	120.2%

⁶Excluding inter-group operations⁷Including hot-rolled pickled steel