



NLMK Q3 2010 Trading Update

NLMK (Novolipetsk Steel) (LSE: NLMK) today announces the following regular trading update for Q3 2010.

NLMK Group: Q3 2010 Operating Highlights ¹

- Production Q3 2010*

- Crude steel: 3.0 million tonnes (+2.6% quarter-on-quarter)**
- Finished products: 2.9 million tonnes (-1.1%)

- Sales Q3 2010

- Finished products: 3.0 million tonnes (+4.8%), including
 - Slabs: 0.9 million tonnes (+7.8%)
 - Billets: 0.07 million tonnes (+13.6%)
 - Flat products: 1.5 million tonnes (-2.1%)
 - Long products: 0.4 million tonnes (+65.6%)
 - Metalware: 0.06 million tonnes (+8.4%)

Outlook

We anticipate that production and sales volumes in Q4 2010 will be similar to Q3. In Q4 2010 we expect to see a slight seasonal decline in demand which can put additional pressure on prices. According to our preliminary estimates, the Company's revenue in Q3'10 should total USD2.1 billion, which is largely in line with Q2.

Q3 2010 EBITDA margin is expected to be in the region of 30%.

(See p. 7 for more detailed information)

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.

* - NLMK Group's and NLMK's (Lipetsk production site) steel production volumes please see in Appendix

** unless stated otherwise, percentage changes are quarter-on-quarter ratios

NLMK Group:NLMK Group Q3 2010 sales volumes²:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Pig Iron</i>	0.173	0.238	0.221	-27.1%	-21.7%
<i>Slabs</i>	0.889	0.825	1.063	7.8%	-16.3%
<i>Billets</i>	0.072	0.063	0.060	13.6%	18.9%
<i>Flats</i>	1.454	1.484	1.409	-2.1%	3.2%
<i>Long products</i>	0.394	0.238	0.364	65.6%	8.2%
<i>Metalware</i>	0.062	0.057	0.058	8.4%	6.3%
<i>Total sales products</i>	3.044	2.905	3.175	4.8%	-4.1%

Mail Production Site in Lipetsk

Lipetsk production site steel sales volumes in Q3 2010:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Pig Iron</i>	0.159	0.196	0.229	-18.9%	-30.5%
<i>Slabs</i>	0.948	0.930	1.073	1.9%	-11.6%
<i>Hot-rolled steel³</i>	0.511	0.495	0.564	3.3%	-9.4%
<i>Cold-rolled steel</i>	0.358	0.427	0.454	-16.0%	-21.1%
<i>Hot-dip galvanized steel</i>	0.159	0.150	0.107	5.4%	47.7%
<i>Pre-painted steel</i>	0.088	0.085	0.097	3.1%	-8.9%
<i>Dynamo steel</i>	0.068	0.070	0.042	-2.2%	62.3%
<i>Transformer steel</i>	0.010	0.010	0.004	7.7%	162.9%
<i>Total sales products</i>	2.302	2.363	2.570	-2.6%	-10.4%

DanSteel A/S.

DanSteel A/S sales volumes in Q3 2010:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Heavy plates</i>	0.084	0.103	0.045	-18.5%	87.2%

NLMK Indiana

NLMK Indiana sales volumes in Q3 2010:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Hot-rolled steel</i>	0.150	0.158	0.128	-4.9%	17.3%

VIZ-Stal

VIZ-Stal sales volumes in Q3 2010:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Transformer steel</i>	0.038	0.045	0.036	-15.3%	8.4%

Stoilensky

Stoilensky sales volumes in Q3 2010:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Iron ore Concentrate</i>	3.051	2.991	2.927	2.0%	4.2%
<i>Sinter ore</i>	0.508	0.455	0.545	11.5%	-6.8%

Altai-Koks

Altai-koks sales volumes in Q3 2010:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Coke (dry)</i>	0.810	0.845	0.877	-4.2%	-7.6%

Long Products Division⁴ Companies

Q3 2010 sales volumes of the companies comprising the Long Products division:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
Billets	0.077	0.052	0.069	49.3%	10.8%
Rebar	0.265	0.170	0.288	55.7%	-7.9%
Wire rod	0.094	0.056	0.078	66.3%	19.8%
Metalware	0.062	0.057	0.060	8.4%	2.8%
Ferrous and nonferrous scrap⁵	1.002	0.826	0.893	21.3%	12.2%

¹ Q3 2010 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 Long products sector includes the following companies: NSMMZ, UZPS and other scrap collecting facilities

⁵ Including sales of NSMMZ

MANAGEMENT COMMENTS

NLMK Group Operating Review

NLMK Group's steel production in Q3 2010 amounted to 3.0 million tonnes (+2,6% quarter-on-quarter) which is in line with the previously anticipated volume. The utilization rate at the Group's steelmaking facilities was approximately 96%. This includes our main production site in Lipetsk, where the utilization rate was 97%, and the Long Products Division, where utilization rates grew from 92% to 100%, driven by increased demand from domestic consumers.

The Group's total steel product sales also amounted to 3.0 million tonnes of steel which is up 4.8% quarter-on-quarter. Slab sales to Steel Invest and Finance (the NLMK and Duferco JV) amounted to 326,000 tonnes which is 24% down quarter-on-quarter. Slab deliveries and sales are in line with our production plan, ensuring optimal stock levels for slabs.

We see consistent growth in sales of high-value added products both in the flat and the long steel segments, driven by substantial demand, primarily from the domestic market.

According to our preliminary estimates, domestic sales continued to grow consistently and amounted to approximately 32% of Group sales (Q2 2010 domestic market share: 30%, Q1 2010: around 27%). Demand for the Company's products in export markets remained stable despite the decrease in prices in the first half of the quarter.

Main Production Site in Lipetsk

In Q3 steel output at our main production site in Lipetsk was in line with the previous quarter, totaling 2.3 million tonnes. Our steelmaking facilities were running at 97% capacity.

Q3 sales remained almost stable quarter-on-quarter amounting to 2.3 million tonnes (-2.6%) and decreased by 10% year-on-year. Last year's high sales volumes were driven by significant seasonal sales of stock accumulated during the 2009 crisis.

Slab sales increased by 2% supported mainly by sales to third parties. The bulk of slabs are still delivered to NLMK's own rolling assets and Duferco JV companies.

Sales of hot-rolled steel improved (+3.3%) driven in part by increased deliveries to the domestic market. In turn, sales of cold-rolled steel decreased (-16%) mostly as a result of reduced export deliveries alongside stable domestic sales.

Q3 saw positive demand trends from the construction market due to the seasonal consumption growth and an overall recovery of the sector, allowing us to increase hot-rolled and colour-coated steel sales by 5.4% and 3.1% respectively quarter-on-quarter.

Despite a minor reduction in dynamo steel sales (-2.2%), demand for this product remains robust both in the export and domestic markets. Ongoing equipment upgrades at the Lipetsk site transformer steel production facilities explain the low capacity utilization rates. Nonetheless, we posted slight increase in Q3 transformer steel sales from Lipetsk-based operations.

DanSteel A/S

Production output fell by 36% and sales volumes decreased by 19% quarter-on-quarter due to planned repairs in August that are traditionally scheduled for periods of weaker business

activity in the region. Nonetheless, Q3 2010 sales almost doubled year-on-year due to the recovery of demand from key consumers, as well as normalized stock levels at end-consumers.

In the immediate future, demand for the company's products will be affected by mild seasonal fluctuations. Overall sales volumes will be determined by the dynamics of demand from our consumer industries.

NLMK Indiana

Total steel output and hot-rolled steel sales decreased by 13% and 5% respectively (quarter-on-quarter) due to weak market conditions coupled with excess supply.

NLMK Indiana's sales volumes were also impacted by the limited demand from service centers that are striving to maintain low stock levels when there is no apparent growth of demand from the end-consumers.

High supply levels and limited demand led to a 10% quarter-on-quarter decrease in Q3 hot-rolled product prices.

VIZ-Stal

Some recovery of demand for transformer steel was the major factor contributing to production growth (+4% quarter-on-quarter and 24% year-on-year). Nonetheless, VIZ-Stal's Q3 transformer steel sales fell by 15% primarily due to the delayed recognition of export sales. In the second half of the quarter there was a significant increase in the volume of deliveries, the bulk of which will be attributed to Q4 sales.

As a result, we expect this factor, among others, to lead to a moderate increase in transformer steel sales in Q4.

Transformer steel prices remained largely flat quarter-on-quarter.

Stoilensky

Stoilensky continues to run at full capacity. Iron ore concentrate output and sales remained stable quarter-on-quarter.

Following process equipment repairs in Q2 2010, Stoilensky managed to increase sinter ore output and sales in Q3. Iron ore concentrate sales to third parties amounted to 0.05 million tonnes. Sinter ore sales growth was driven by deliveries to Ukrainian steelmaking companies.

In Q4 we expect a similar operating performance.

Altai-Koks

Q3 production output and sales were adjusted in accordance with existing demand (down 3% and 4% respectively). The sales structure was changed moderately – Altai-Koks decreased its sales to third parties and increased coke deliveries to the Lipetsk site.

The reduction of average coke prices in Q3 is associated with some weakening of the steel products market.

In Q4 we anticipate a comparable operating performance.

Long Products Division

The Company continues to demonstrate improved operating performance. In Q3 our Long Products Division's production output and sales grew by 11% and 48% respectively.

Recovery in the Russian construction sector, as well as the increase in demand for billets in the global market, had a positive impact on sales volumes. Long product sales (excluding metalware sales) increased by over 58%. Metalware sales continued to grow for the second quarter running and in Q3 increased by 8% quarter-on-quarter. Alongside improved demand from the construction sector, higher Long Product Division sales were also driven by successful projects implementation aimed at expanding the product mix, primarily by increasing output of high value-added products.

Division's billet sales grew by 49%, mainly driven by improved demand in the export market.

In Q3 scrap sales increased (+21%), related to the winter stock build-up, among other factors.

Outlook

In Q4 2010 we expect some seasonal decline in demand from the domestic construction sector which may impact the overall sales structure and increase export volumes. According to our preliminary estimates, steel prices will be comparable to Q3 level.

In Q4 we do not expect any significant quarter-on-quarter changes in operating performance.

We believe that our Q3 2010 sales revenue will amount to USD2.1 billion, which is almost in line with the previous quarter. Q3 2010 EBITDA margin is expected to be in the region of 30%.

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Appendix

NLMK Group Q3 2010 Production Volumes⁶:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Pig iron</i>	2.283	2.325	2.384	-1.8%	-4.2%
<i>Crude steel</i>	2.957	2.882	2.940	2.6%	0.6%
<i>Salable pig iron</i>	0.139	0.230	0.229	-39.7%	-39.5%
<i>Salable slabs</i>	0.849	0.861	0.878	-1.4%	-3.3%
<i>Billets</i>	0.060	0.089	0.064	-32.5%	-6.3%
<i>Flat steel</i>	1.446	1.424	1.411	1.5%	2.4%
<i>Long steel</i>	0.357	0.284	0.338	25.9%	5.8%
<i>Metalware</i>	0.061	0.057	0.061	7.8%	-0.1%
<i>Total sales products</i>	2.912	2.945	2.982	-1.1%	-2.3%

NLMK (Lipetsk Production Site) Steel Production Volumes in Q3 2010:

Million, t	Q3 2010	Q2 2010	Q3 2009	Q3 10 / Q2 10	Q3 10 / Q3 09
<i>Pig Iron</i>	2.283	2.325	2.384	-2%	-4.2%
<i>Crude steel</i>	2.324	2.271	2.295	2%	1.2%
<i>Slabs</i>	0.967	0.991	0.908	-2%	6.6%
<i>Hot-rolled steel⁷</i>	0.544	0.447	0.561	22%	-3.1%
<i>Cold-rolled steel</i>	0.361	0.380	0.438	-5%	-17.6%
<i>Hot-dip galvanized steel</i>	0.159	0.151	0.112	5%	42.0%
<i>Pre-painted steel</i>	0.082	0.088	0.093	-7%	-11.6%
<i>Dynamo steel</i>	0.074	0.071	0.042	5%	76.0%
<i>Transformer steel</i>	0.010	0.010	0.004	-5%	156.6%

⁶ Excluding inter-group operations

⁷ Including hot-rolled pickled steel