



NLMK Q1 2012 TRADING UPDATE

NLMK, the LSE-listed leading Russian steel producer, today announces the following regular trading update for Q1 2012.

The Group's steel output increased 14% q-o-q to 3.6 million t, which corresponds to over 90% utilisation rate, as the new BF-7 at Novolipetsk (NLMK's main production site in Lipetsk) gradually increased its capacity load and the second EAF at NLMK Long Products was re-launched following transformer repairs in January 2012.

Consolidated sales grew 6.4% q-o-q to 3.8 million t. Flat steel sales increased by 13.7%, and long steel sales, including metalware, grew 16.7%. 35% of the Q1 total, or 1,307 million t, were sold domestically (+2% q-o-q).

NLMK International's sales volumes totaled 1.1 million t, including 0.69 million t sold by NLMK Europe and 0.43 million t sold by NLMK USA.

Outlook

We expect Q2 sales volumes to increase, supported by the seasonal upturn in demand. We are keeping our previous crude steel production forecast for 2012 unchanged: the output will total about 15 million t.

Q1 2012 operating highlights¹

- Production Q1 2012

- Crude steel: 3.6 million t (+14% q-o-q hereinafter for quarterly figures if not specified otherwise)
- Finished products: 3.7 million t (-0.6%)

- Sales Q1 2012

- Finished products: 3.8 million t (+6.4%), including
 - Slabs: 0.8 million t (+16.6%)
 - Flat steel: 2.4 million t (+13.7%),
including high-value added products: 1.3 million t
 - Long products and metalware: 0.38 million t (+16.7%)

** - Production data for NLMK Group and the Lipetsk site is presented in the Appendix*

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Sales volumes²**NLMK Group:**

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
<i>Pig iron</i>	0.220	0.448	0.153	-51.0%	43.9%
<i>Slabs</i>	0.814	0.698	0.715	16.6%	13.8%
<i>Flats</i>	2.363	2.079	1.484	13.7%	59.2%
<i>Long products</i>	0.319	0.281	0.318	13.6%	0.3%
<i>Metalware</i>	0.062	0.046	0.052	35.6%	20.7%
<i>Total</i>	3.778	3.552	2.766	6.4%	36.6%

Novolipetsk (NLMK's main production site in Lipetsk)

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
<i>Pig iron</i>	0.211	0.305	0.098	-30.9%	115.2%
<i>Slabs</i>	1.586	1.129	0.739	40.4%	114.5%
<i>Hot-rolled steel³</i>	0.520	0.516	0.509	0.7%	2.2%
<i>Cold-rolled steel</i>	0.380	0.318	0.356	19.4%	6.7%
<i>Hot-dip galvanised steel</i>	0.145	0.123	0.140	17.6%	4.0%
<i>Pre-painted steel</i>	0.115	0.131	0.105	-12.3%	9.3%
<i>Dynamo steel</i>	0.059	0.071	0.075	-16.3%	-20.9%
<i>Transformer steel</i>	0.018	0.020	0.014	-9.8%	32.7%
<i>Total</i>	3.034	2.614	2.036	16.1%	49.0%

VIZ-Stal

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
<i>Transformer steel</i>	0.036	0.044	0.042	-18.7%	-13.6%

Stoilensky

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
<i>Iron ore concentrate</i>	3.084	3.369	2.883	-8.5%	7.0%
<i>Sinter ore</i>	0.398	0.429	0.414	-7.2%	-3.8%

Altai-Koks

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
<i>Coke (dry)</i>	1.071	1.019	0.848	5.1%	26.3%

Long Products Division⁴

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
<i>Rebar</i>	0.301	0.282	0.285	6.8%	5.8%
<i>Wire rod</i>	0.025	0.025	0.043	-0.2%	-42.1%
<i>Metalware</i>	0.062	0.047	0.052	33.8%	20.7%
<i>Ferrous and non-ferrous scrap</i> ⁵	0.500	0.740	0.562	-32.4%	-11.0%

NLMK Europe**Strip Products⁶**

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
Hot-rolled steel	0.273	0.220	0.272	24.3%	0.3%
Cold-rolled steel	0.020	0.020	0.026	-1.0%	-23.6%
Coated steel	0.094	0.087	0.091	7.9%	3.7%
Total	0.387	0.327	0.389	18%	-1%

Plate Products⁶

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
Plates	0.288	0.241	0.274	19.3%	5.1%

NLMK USA⁶

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
Hot-rolled steel	0.244	0.177	0.239	38.1%	1.9%
Cold-rolled steel	0.106	0.106	0.144	0.0%	-26.7%
Galvanised steel	0.082	0.082	0.069	0.7%	20.3%
Total	0.432	0.365	0.452	18%	-4%

¹ Q1 2012 production and sales data is preliminary and subject may be subject to change

² Excluding inter-group operations and including sales of trading companies. Q1 2011 Group sales exclude international assets results that have been consolidated starting from 01 July 2011.

³ Including hot-rolled pickled steel

⁴ Long Products Division includes the following companies: NSMMZ, UZPS and other scrap collecting facilities

⁵ Including sales of NSMMZ

⁶ NLMK's international business divisions (except NLMK DanSteel and NLMK Indiana) are part of the Group since 01 July 2011. Q1 2011 historical sales data contains operating results that weren't consolidated into the Group at that time.

Operating data for NLMK USA is presented in metric tonnes

MANAGEMENT COMMENTS

NLMK Group operating review

NLMK Group's steel production in Q1 2012 went up to 3.6 million t (+14% q-o-q). Steelmaking facilities of the Group were running at about 93% (97% at Novolipetsk (hereinafter refers to the main production site in Lipetsk), 77% at the Long Products Division, and 86% at NLMK's international divisions, including 89% at NLMK Indiana and 77% at NLMK Verona).

The new Blast Furnace #7 (BF-7) and the new BOF utilisation rates at Novolipetsk continued to increase as planned. As a result, steel output at the main production facility grew to 3.0 million t (+9% q-o-q, +29% y-o-y). About 1.2 million t was processed using new secondary steelmaking equipment that allows making new steel grades for niche products.

The Group's quarter sales totaled 3.8 million t, in line with the high levels recorded in Q4 2011.

Domestic sales increased 2% to 1.3 million t (35% of total sales). Flat steel sales were supported by a sustainable demand from the construction and machine-building sectors during the seasonal slowdown in buying activity in the winter. At the same time, increased supplies from domestic producers and from imports limited the recovery in steel prices. NLMK's Q1 sales prices were slightly below the previous quarter level, although throughout the quarter the prices have been improving.

As utilisation rates at the Long steel division steelmaking facilities grew, long product sales (including metalware) increased by 16.7%. We expect the growth to continue in Q2, supported by improving demand from the domestic construction sector.

Slab sales to the Group's international rolling operations in Q1 increased 57% to 0.7 million t as they replenished inventory following the destocking that occurred in the previous quarter.

Exports accounted for 65% of our sales, with the bulk going to our traditional markets, i.e. Europe, the US, the Middle East and South-East Asia.

Our international rolling operations accounted for 29% of the Group's sales. NLMK Europe sold 18% and NLMK USA sold 11% of the Group's total.

During the quarter European prices gradually recovered driven by restocking initiated by steel traders and consumers following a significant decline in production volumes and stocks in late 2011. However, due to the production-sales cycle, our Q1 sales prices at the European operations were still slightly down q-o-q, reflecting the Q4 downward pricing trend.

NLMK Europe significantly increased its thick plate and flat steel sales, to 0.288 million t (+19%) and 0.387 million t (+18%), respectively.

Starting from November 2011, the US market saw a gradual increase in flat steel prices, with a slight adjustment in the middle of Q1 2012, following the seasonal decline in ferrous scrap prices and increased supply in the market stemming from higher capacity loads. Nonetheless, inventory levels in the region are kept stable as consumers and service centres aim to maintain reasonable inventory levels.

NLMK USA sales increased by nearly 20% to 0.432 million t. The Division's sales prices increased in the range of 1-6% q-o-q.

Novolipetsk

In Q1 Novolipetsk steelmaking capacities were running at 97% capacity.

Total output of saleable steel products was in line with the previous quarter. HVA product (CRC and further downstream) output at the plant increased 8% to 0.8 million t. Cold-rolled steel output was up 11% to 0.381 million t, galvanised steel output was up 12% to 0.154 million t. Dynamo and transformer steel output increased by 16% and 1% to 75,000 and 19,000 t, respectively.

With sustainable demand in the international market and restocking at NLMK Europe, Novolipetsk was able to maintain its slab production (1.4 million t) at a high level, in line with the previous quarter (1.45 million t). Total slab sales in Q1 jumped to 1.586 million t (+40% q-o-q), with sales to international rolling operations accounting for 45%.

Finished product sales (sold mainly in the domestic market) grew 5%. Cold-rolled and galvanised steel sales totaled 0.38 million t (+19.4%) and 0.318 million t (+17.6%), respectively. Sales of pre-painted, dynamo and transformer steel decreased slightly, by 12.3%, 16.3%, and 9.8%, respectively.

Average sales prices declined by 1-10% reflecting a weak market environment in the end of 2011 and in January 2012 (considering the effect of the production and sales cycle). However, starting from February prices began to recover both in the domestic and in our key export markets, that we expect may translate in higher average prices in Q2.

VIZ-Stal

In Q1 transformer steel sales decreased by 19% q-o-q to 36,000 t due to the delay in the recognition of export sales. Around 84% was exported. In the second half of the quarter export sales increased; these will partially be recognized in Q2.

Flat product sales also fell q-o-q to 37,700 t, pressured by lower demand, due in part to seasonal factors and high inventory levels of the Company's consumers.

Stoilensky

In Q1 iron ore concentrate production totaled a record 3.497 million t, +1% q-o-q and +19% y-o-y. The y-o-y growth was due to the launch of the new beneficiation capacities in 2011.

Iron ore concentrate and sinter ore sales totaled 3.084 million t (-8%) and 0.398 million t (+7%), respectively. The decline in sales was caused by harsh weather conditions that hampered deliveries to third parties.

Around 92% of iron ore concentrate and 38% of sinter ore were delivered to Novolipetsk.

The Company continues to implement its development project aimed at further expanding its mining and beneficiation (+4 million t of concentrate) capacities, and building the new 6 mtpy Pelletizing Plant, expected to become operational in late 2014.

Altai-Koks

In Q1 our coke capacities were fully loaded.

Market demand drove our coke output and sales up by 9% and 5% q-o-q, respectively, to 1.083 and 1.071 million t. 82% of coke was delivered to Novolipetsk, with the remaining part sold to consumers in the domestic and export markets.

Q1 coke sales prices decreased by 15%, following the trend in the international markets.

Together with coke produced at Novolipetsk, NLMK Group's total coke production increased by 6% q-o-q to 1.73 million t. About 88% was consumed in-house.

NLMK Long Products

In Q1, as the second EAF was re-launched following transformer repairs, the Segment's steel output increased by 52% q-o-q to 0.418 million t. The Company was able to gradually grow its finished product output and stop purchasing billets from third parties.

The Segment's sales grew 10% as traders and consumers began restocking to prepare for the construction season. Rebar and metalware sales increased by 7% and 34% q-o-q, respectively.

Negative pricing trends at the end of 2011 – beginning 2012 resulted in a mild drop in average sales prices (by 2-4%). By the end of the reporting period prices started to go up, and this growth could continue into Q2.

Scrap sales decreased by a third to 0.5 million t due to lower scrap collection during the winter period, which lasted longer than average this year (till the beginning of April for some regions).

As demand continues to grow from the construction sector in Q2, we expect the Segment's capacity utilisation rates to further increase.

NLMK International operating performance

In Q1 2012, as consumer and trader activity picked up, driven by restocking processes in Europe, and demand remained stable in the USA. NLMK International's finished product output and sales grew to 1.120 million t (+17% q-o-q) and 1.121 million t (+18% q-o-q), respectively. Steel output at our foreign assets totaled 0.262 million t, including 0.2 million t at NLMK Indiana and 66,000 t at NLMK Verona (part of NLMK Europe Plate Products).

NLMK Europe

Strip Products

In Q1 demand from European end-users and service centres picked up gradually as they replenished inventories following very limited purchases made in H2 2011. NLMK Europe Strip's production and sales grew 22% (to 0.38 million t) and 18% q-o-q (to 0.39 million t), respectively.

Utilisation rates for the Segment's rolling assets were around 66% (+18 p.p. q-o-q).

The highest growth rate in sales was recorded for HRC, with NLMK La Louvière selling 0.273 million t, including pickled steel (+24% q-o-q). Total sales of galvanised steel from NLMK Coating and NLMK Strasbourg grew 8% to 77,000 t.

European car manufacturers and construction companies continued to be the Segment's main consumers in Q1.

Q1 saw a positive pricing trend that continued into Q2.

Plate Products

The Segment's thick plate production grew 26% q-o-q to 0.293 million t, which corresponds to around 70% capacity utilisation rates.

NLMK Clabecq continued to increase capacity utilisation rates at its new Quenching & Tempering Line to manufacture higher quality niche thick plates.

NLMK Plate Products' Q1 sales were up 19% to 0.288 million t. The biggest growth was recorded for NLMK DanSteel and NLMK Clabecq (+23%).

Tube & pipe, industrial engineering, wind energy (wind generator manufacturing) and shipbuilding companies were among the Segment's main consumers.

Q1 average thick plate selling prices decreased by 9% q-o-q. Despite the mild market recovery in the beginning of 2012, prices are still pressured by tight competition from European producers, as well as imports.

NLMK USA

In Q1 our North American assets were able to fully benefit from the stable growth in internal demand. As a result, total rolled product output grew 13% q-o-q to 0.506 million t. NLMK Indiana's EAF was running at 89%. The overall capacity utilisation rate for the rolling mills was around 64%.

Flat steel sales grew 18% to 0.432 million t, with the bulk going to automotive, tube & pipe, and heavy machinery manufacturers, and service centers.

HRC sales were up from 0.177 million t in Q4 2011 to 0.244 million t. CRC (including full hard steel) and galvanised steel sales were in line with the previous quarter.

Average sales prices for almost all products were up in the range of 6%. However, steel output is also growing in the recovering market, meaning there is a more extensive offer from large producers. In the mid-term, this could impact the balance of supply and demand in the region. Consumers and service centers are maintaining balanced inventory levels.

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Appendix

NLMK Group Q1 2012 production:⁷

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
Pig iron	2.926	2.777	2.161	5.4%	35.4%
Crude steel	3.630	3.172	2.905	14.4%	24.9%
Salable pig iron	0.209	0.308	0.078	-32.2%	166.5%
Salable slabs	0.705	1.013	0.820	-30.4%	-14.0%
Flat steel	2.418	2.100	1.501	15.2%	61.0%
Billets	-	-	0.041		-100.0%
Long steel	0.352	0.304	0.350	15.9%	0.7%
Metalware	0.064	0.045	0.053	43.8%	22.0%
Total	3.748	3.769	2.843	-0.6%	31.8%

Novolipetsk production volumes in Q1 2012:

million t	Q1 2012	Q4 2011	Q1 2011	Q1 12 / Q4 11	Q1 12/ Q1 11
Pig iron	2.926	2.777	2.161	5%	35.4%
Crude steel	2.950	2.700	2.294	9%	28.6%
Salable slabs	1.402	1.448	0.910	-3%	54.1%
Hot-rolled steel⁸	0.570	0.493	0.516	16%	10.6%
Cold-rolled steel	0.381	0.343	0.360	11%	5.8%
Galvanised steel	0.154	0.137	0.141	12%	9.2%
Pre-painted steel	0.125	0.135	0.104	-7%	20.1%
Dynamo steel	0.075	0.064	0.082	16%	-9.4%
Transformer steel	0.019	0.019	0.014	1%	38.6%

⁷ Excluding inter-group operations⁸ Including hot-rolled pickled steel