NLMK, THE LSE-LISTED LEADING STEEL PRODUCER, TODAY ANNOUNCES ITS CONSOLIDATED US GAAP RESULTS FOR Q4 AND 12M 2011.

In 2011 the Group’s revenue grew 40% to $11.7 billion driven by increased sales and a better product mix. At the same time our profitability was not immune to the overall deterioration in the steel market as the European financial crisis hit a new peak in H2 2011, and the Russian segment’s costs grew c.20%. Our EBITDA narrowed by 3% year-on-year and totaled $2.3 billion. EBITDA margin was 19.5%, while net profit increased 8% to $1.4 billion.

In H1 2011 the Company paid interim dividends in the amount of $264 million, or c. 30% of the Group’s net profit for the period.

In 2011 the Group continued executing its growth strategy. Our annual crude steel output increased to a record 12 m t. Finished rolled steel production increased by 24% to 8.8 m t, including 2.4 m t produced at our international businesses, including the European and North America operations acquired in 2011.

In 2011 NLMK invested over $2 billion into new and existing production facilities. We launched a new BF#7 and a new BOF at our Lipetsk site, increasing our crude steel production capacity by a third. This new project was the largest incremental increase in steelmaking capacity in the Russian steel industry over the last 25 years. Following the acquisition of rolling assets in the EU and USA in H2 our Company doubled its slab processing capacities into finished flat steel.

NLMK’s financial standing remains one of the most sustainable among steelmaking companies, and in 2011 the three leading credit agencies upgraded NLMK’s rating to investment grade.

OUTLOOK

In 2012 we plan to increase crude steel output to over 15 mt on the back of incremental capacity growth thus becoming the largest steel producer in Russia. In the midterm we expect a gradual improvement in our financial performance as we improve the operating efficiency at the newly launched facilities in Russia and reduce costs at our international assets, as well as strengthen upstream vertical integration at our domestic operations. The amount of 2012 investments will total $1.7 billion.

Q4 AND 12M 2011 KEY HIGHLIGHTS

'000 tonnes/ $ million	Q4 2011[1]	Q3 2011[1]	Change, %	12M 2011	12M 2010	Change, %
Steel product sales	**3,552**	3,386	+5%	**12,840**	11,731	+9%
Incl. HVA [2]	**1,307**	1,395	-6%	**4,508**	3,468	+30%
Revenue	**3,053**	3,334	-8%	**11,729**	8,351	+40%
Operating profit	**242**	271	-11%	**1,666**	1,795	-7%
EBITDA [3]	**383**	478	-20%	**2,282**	2,349	-3%
EBITDA margin (%)	**13%**	14%	-1 p.p.	**19%**	28%	-9 p.p.
Net income [4]	**153**	225	-32%	**1,358**	1,255	+8%
Net debt [5]	**3,355**	2,933	+14%	**3,355**	1,454	+131%
Net debt/EBITDA [6]	**1,47**	1,23		**1,47**	0,62	

Notes:

1 Reporting periods of the company are 12M, 9M, 6M, 3M 2011, and 12M, 9M, 6M, 3M, 12 M 2010 Q2,Q3 and Q4 figures are derived by computational method. The same assumption applies to the calculation of segmental financial results.

2 High value added (HVA) products include plates, cold-rolled, galvanized, pre-painted and electrical steel, and metalware

3 EBITDA calculations are presented in Appendix 1 on page 21.

4 Net profit attributable to NLMK shareholders

5 Net debt is calculated as the sum of LT and ST credits and loans less cash and cash equivalents, as well as ST financial investments at period end

6 Net debt / EBITDA is represented by net debt as at the end of the period and EBITDA is presented as Last 12 months EBITDA

About NLMK Group

NLMK is one of the world's leading producers of steel with 2011 revenue of $11.7 billion. In 2011 the Company produced 12 m tonnes of steel. NLMK production facilities located in Russia, the EU and USA employ around 60,000 people.

The Company produces a wide range of steel products, including slabs and billets, hot-rolled, thick hot-rolled plates, cold-rolled, pre-painted, electrical steel (transformer grain-oriented steel and dynamo steel), and other high value added grades, as well as a wide range of long products, including rebar, wire-rod and metalware. In 2011 NLMK delivered its products to customers from over 70 countries.
NLMK ordinary shares are traded in Russia on MICEX-RTS, and, in the form of GDRs, on the London Stock Exchange.

The full version of the US GAAP 12M 2011 financial statements is available on the Company's website at www.nlmk.com.

CONFERENCE CALL DETAILS

Tuesday, March 27, 2012
09:00 (New York)
14:00 (London)
17:00 (Moscow)

To join the conference call, please register online:
https://eventreg1.conferencing.com/webportal3/reg.html?Acc=493939&Conf=183033
or dial
International Number: + 44 (0) 20 7162 0025
US Number: +1 334 323 6201
Conference ID: 914170

*We recommend that participants start dialing in 5-10 minutes prior to ensure a timely start to the conference call.

The conference call replay will be available through March 31, 2012
International Replay Number: +44 (0) 20 7031 4064
US Replay Number: +1 954 334 0342
Replay Access Code: 914170

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MANAGEMENT COMMENTS

In 2011 NLMK Group continued with its growth strategy, completing the construction of the new Blast Furnace

#7 and the new Blast Oxygen Furnace at our Lipetsk site and integrating the newly acquired rolling assets in Europe and the USA.

Ms Galina Aglyamova, Chief Financial Officer, said:

"2011 proved to be a challenging year for the steel industry: unstable demand and significant share of unutilized high cost steelmaking capacities globally put heavy pressure on steel prices. At the same time, energy and raw materials prices continued to grow. In H2 deteriorating macroeconomic conditions lead to a slump in steel demand and prices, damaging the sector's margins.

"In this challenging environment NLMK was able to retain its cost leadership among global steelmakers by relying on its vertical integration and enhancing production efficiency at its core assets. 2011 was an important milestone for the Company: we increased the steelmaking capacity at our main and most efficient production site by over a third. At the same time, by acquiring rolling assets in Europe and the USA we have almost doubled our slab processing capacities in our key markets.

"These developments were the main factors driving our financial performance. Although our revenue increased 40% to $11.7 billion, EBITDA remained almost flat year-on-year at $2.3 billion. EBITDA margin decreased to 19.5% (28% in 2010), though it was still among the industry highest. Net income grew 8% to $1.4 billion.

"In 2011 the Group's investments peaked at $2 billion as we completed major capacity expansion projects. We expect investments to be more moderate in the mid-term. In 2012 they will be down to $1.7 billion.

"Cutting production costs along the entire value chain remains high on our management's agenda in the short-term. We are very selective about our investments projects, focusing primarily on the upstream ones already under way. We believe going forward those projects could reduce the cash cost per tonne of steel by a quarter.

"Given the ongoing market uncertainty, we are trying to be cautious giving our short-term outlook for the industry. At the same time, investments made and high production efficiency achieved support our high operating performance even with the capacity expansion. We expect that this will allow NLMK to consistently increase its free cash flow.

"We expect the Group's EBITDA margin to be at around 20% in the mid-term. In the longer term, we expect it to grow to 25% and higher after we complete our planned projects aimed at cutting production costs and enhancing our vertical integration with the newly acquired assets."

Operating performance

2011 operating results

NLMK Group produced 12 mt of steel in 2011, setting a new record. Novolipetsk (the main production site in Lipetsk) produced 9.8 mt of steel, up 5% year-on-year.

NLMK Long Products (NSMMZ) produced 1.47 mt, down 14% year-on-year due to a transformer failure at one of the two EAFs. We kept the capacities running by buying billets off the market. In January 2012 transformer repairs were complete and the idled EAF was relaunched.

Steel output at our foreign assets was up 11% and amounted to 0.7 mt. NLMK Indiana produced a record 0.6 mt steel (+9% y-o-y). In 12M 2011 NLMK Verona's EAF produced 0.3 mt (+18% y-o-y), including 127 kt in H2 as part of NLMK Group.

Q4 2011 production results

In Q4 2011 NLMK Group produced 3.2 mt of steel (+10% q-o-q).

Novolipetsk continued with the commissioning of the new blast furnace (named "Rossiyanka") and the new BOF. As a result, steel output at the Lipetsk site grew to 2.7 mt (+12% q-o-q), even with the planned repairs at BF-5 in October. After the launch of the new BF and BOF Novolipetsk produced an additional 0.4 mt of slabs.

2011 sales

Following the acquisition of JV with Duferco rolling assets, the Group's consolidated sales increased significantly and totaled 12.8 mt; high value added (HVA) sales reached 4.5 mt (+30% y-o-y).

In 2011 total slab deliveries to our overseas rolling assets amounted to 1.75 mt (+15% y-o-y). In 2012 we plan to grow these deliveries, which is important to maintain stable utilization rates at Novolipetsk.

Q4 2011 sales

In Q4 Group sales grew 5% q-o-q to 3.6 mt due to larger deliveries from Novolieptsk on the back of stable sales at our foreign assets (0.96 mt; +0.4% q-o-q).

Domestic demand remained relatively stable. As a result, sales remained flat quarter-on-quarter at 1.1 mt, or 30% of our total sales.

International sales accounted for 70% of our total sales, with the bulk of deliveries going to our traditional markets, Europe, the Middle East, USA and South-East Asia.

Managing asset portfolio

Consolidation of Steel Invest and Finance S.A. rolling assets and creation of foreign divisions

Starting from July 1, 2011, NLMK has consolidated the rolling assets of Steel Invest and Finance, formerly part of the 50/50 JV with Duferco. The cash consideration for the transaction was c.$600m, payable in four equal annual installments. In August NLMK announced the creation of its new business divisions - NLMK Europe and NLMK USA, comprising all of the Group's international assets, including the Steel Invest and Finance rolling companies. NLMK's international divisions currently have a rolling capacity of over 7 mt, or approximately 50% of the Group's total rolling capacities

Following the consolidation of Steel Invest and Finance rolling assets, the Group's segment reporting breakdown was adjusted (see Note #22 to US GAAP Results).

- A separate Foreign Rolled Products segment was formed, alongside Steel Invest and Finance comprising NLMK Indiana and NLMK DanSteel, which used to be included into the Steel segment (in H1 2011 results);

- Results for Altai-Koks were included into the Steel segment (previously formed a separate Coke-chemical segment).

Service center acquisition in India

In October 2011 NLMK acquired an electrical steel service center in India. It has processing capacities of 15,000 tonnes, opening NLMK direct access to end consumers in this growing market.

Independent Transportation Company (NTK) divestment

In April 2011, NLMK made the decision to sell its 100% holding in Independent Transportation Company LLC (NTK) to UCL Rail B.V. (a subsidiary of Universal Cargo Logistics Holding B.V., controlled by NLMK's main shareholder). The cash consideration in the transaction was $325 million; NTK's net debt at the completion of the transaction was around $238 million. The deal was closed in July 2011. NLMK received a fairness opinion from Deutsche Bank AG (London).

Capex program

In 2011 NLMK continued the implementation of its key capex projects on expanding production capacities, allocating c.$2 billion for these purposes.

Steelmaking and rolling facilities

The construction of the 3.4 million tonne Blast Furnace #7 at the Lipetsk site was completed in Q3. The facility is currently in start-up mode.

In October Novolipetsk (NLMK's main production site in Lipetsk) launched a new c.3 m tpa BOF, increasing steelmaking capacity to 12.4 mtpy. Novolipetsk continued the construction of ladle-furnaces and a vacuum degasser, as well as existing equipment upgrades. Among other projects, Novolipetsk has revamped its 2.5 m tpa continuous casting machine (CCM-8). Following the CCM-8 launch NLMK has become the first Russian steelmaker to produce slabs with thicknesses of up to 355 mm for further conversion into thick plate, including at NLMK's subsidiaries in Europe, NLMK DanSteel and NLMK Clabecq.

The Company also continued with its Kaluga Mini-Mill project. The first stage of the 1.5 m tpa mill is expected to be launched in late 2012.

Developing rolling assets

In March Novolipetsk launched a 200,000 tpa pre-painting line, increasing pre-painted steel capacity of Russian operations by 50% up to 600,000 tpa.

NLMK's rolling assets continued to master the production of high-permeability transformer steel (HPTS). HPTS production at the Lipetsk site is expected to begin in H2 2012. VIZ-Stal, a subsidiary of NLMK Group, continues efforts to enhance product quality.

In October 2011 NLMK Clabecq, the Group's European asset, officially launched a new quenching and tempering line with a capacity of 250,000 tpa.

Resource self-sufficiency

Iron ore

In Q2 2011 Stoilensky launched an additional iron ore concentrate production section with a capacity of 2 m tpa, expanding the Company's total capacity to 14 mtpy of concentrate. Construction of a new 4 m tpa beneficiation section is planned for 2012-2014. The additional volumes of concentrate will be used to produce pellets at the 6 m tpa pelletizing plant which is currently under construction. Go-live is scheduled for 2014-2015, following which NLMK will be fully sufficient in iron ore, even considering the expansion of pig iron and steel production with the launch of Blast Furnace #7.

Coal

In January 2011 NLMK won the right to develop the third mining area in the Usinsk coal deposit (with 227 million t of on-balance reserves of grade Zh and 2Zh coking coals, an equivalent of hard coking coal grades) located in the Komi Republic, Northern part of Russia.

In April 2011 NLMK won the right to explore and develop the Zhernovski Gluboki plot of the Zhernovskoye coal deposit located in the Kemerovo region, Siberia, located just below the Zhernovskoe-1 deposit.

We are currently completing the technical assessment for the development of Zhernovskoe-1 (with around 163 mt of on-balance reserves of grade GZh, Zh, and GZhO coking coals), setting up for infrastructure development.

Geological exploration and feasibility studies are under way at the Usinsk deposit.

Increased self-sufficiency in energy

In September Novolipetsk launched its new 150 MW Recovery Cogeneration Plant which runs on byproduct BF gases. With the new plant, Novolipetsk generation capacity will increase by 45% to 482 MW, bringing the level of energy self-sufficiency up to over 50%. The new plant will also help reduce the Company's air emissions.

Debt management

As at December 31, 2011, the total debt of the Group stood at $4,380 million (with short-term loans accounting for 30%).
The key factor behind this significant debt growth was the consolidation of c.$1.2 billion external debt following the acquisition of the Steel Invest and Finance rolling assets. The bulk of the consolidated borrowed funds – c. $780 million – will go towards financing NLMK Europe and NLMK USA's working capital.

In November NLMK launched a bond issue with a total value of RUR10 billion and a maturity period of 3 years. The coupon rate is set at 8.95% p.a.

In December NLMK launched two more bond issues series BO-02 and BO-03 with a total value of RUR10 billion of 3-years maturity. The coupon rate is set at 8.75% p.a., with an option tender for both issues in 1.5 years. Proceeds from the placement of bonds will be used to refinance the Company's short-term debt, as well as for other corporate purposes.
As at the 2011 year end, a substantial part of short-term debt is represented by debt on bonded loans issued in the end of 2009 – beginning of 2010, the $1.6 billion 5 year PXF loan balance attracted in 2008 with the interest rate LIBOR + 1.2%, as well as the debt service obligations of our foreign assets.

As at the end of 2011, the Net debt/ 12M EBITDA ratio is 1.47.

Credit ratings

S&P, Moody's and Fitch, the international rating agencies, have noted the high level of NLMK's asset diversification and efficient vertical integration, both upstream and downstream. NLMK has investment grade credit ratings from all three rating agencies. In March 2012 S&P confirmed NLMK's investment rating with a stable outlook.

Dividends

NLMK paid interim dividends for H1 2011 on ordinary issued shares in the amount of RUR1.40 per ordinary share. The total amount of interim dividends is $264 million or c. 30% of the Company's net profit for 6M 2011.

Other matters

In March 2011 the International Commercial Arbitration Court (ICAC) of the Chamber of Commerce and Industry of the Russian Federation partially satisfied the claims of Nikolay Maximov, the non-controlling shareholder of OAO Maxi Group, and awarded the latter USD$297 million as the final settlement for the shares of Maxi Group. In June 2011 the Arbitration Court of Moscow cancelled the respective resolution of the ICA Court. This revocation of the ICA Court decision was supported by all higher courts, including the Russian Supreme Commercial Court. Mr Maximov tried to enforce the cancelled ICAC award, but international courts in the Netherlands, Luxembourg and Cyprus dismissed his claims. He is currently trying to challenge the rulings of the international courts. Litigations in Russia continue related to the doings of Mr Maximov, accused on fraud and the pulling of funds from OAO Maxi Group.

Consolidated financial results

Key drivers for 2011 financial performance:

- ***Higher sales of high value added (HVA) products***

  2011 HVA sales grew 30% to 4.5 mt, or 35% of total sales (30% in 2010).The biggest growth was recorded for thick plates (+100%), galvanized (+59%) and pre-painted steel (+56%), as well as transformer steel (+20%). This growth was driven by the launch of new capacities at our Russian sites, as well as the fact that our rolling capacities doubled following the acquisition of international rolling assets. Slab sales to external customers declined 18% to 3.1 mt as a part of slabs was processed at the Company's overseas facilities.

- ***Higher prices for steel products***

  In 2011 average prices for steel products grew to $808 per tonne (+25% year-on-year) mainly due to shift in product mix in favor of more sophisticated products in the portfolio. This was supported by a general trend in the industry when the steel prices were pushed by higher production costs resulting from surging raw materials prices.

  In Q4 market conditions deteriorated, affected, among other factors, by a seasonal slowdown in the activity at the final customers including construction sector. As a result, average steel prices sequentially declined 9% to $787 per tonne.

- ***Growth in output and sales***

  In 2011 sales grew 9% y-o-y to 12.8 mt. The key growth drivers:

  - High capacity utilization rates;

  - Expansion of steelmaking capacity at Novolipetsk;

  - 2-fold increase in flat steel rolling capacity following the acquisition of rolling assets in Europe and the USA.

- ***Changes in sales geography***

  NLMK continued to grow sales in its strategically important Russian market, with domestic sales increasing 15% to 4.3 mt, or 33% of total sales.

  NLMK strengthened its positions in the US market: sales grew 25% to 1.7 mt (13% of total sales); as well as in Asia, +11% to 1.3 mt (10%). Steel product sales in Europe totaled 2.9 mt (22%), -6% year-on-year. This decrease is attributable to a shift from slab sales to high value added products, as well as the significant weakening in the market in H2 2011.

- ***Higher production expenses***

  Steel production costs increased across all Group sites, driven by growing raw materials and energy prices. Nonetheless, vertical integration, improved energy self-sufficiency and production efficiency allowed us to retain our cost leadership among global steelmakers.

Revenue

NLMK Group's 12M 2011 consolidated revenue totaled $11,729 million (+40%), the growth being attributable to the increase in sales (+9% y-o-y), primarily for HVA products (+30% y-o-y), as well as higher annual average sales prices.

Q4 sales revenue totaled $3,053 million, -8% quarter-on-quarter, the drop being attributable to exchange rate changes, price deterioration in some sales markets, as well as the seasonal business slowdown, particularly in the Russian construction sector.

Production costs

2011 production costs (excluding depreciation and amortization) grew 58% year-on-year to $7,780 million, due to higher production volumes and sales, a significant increase in the prices for raw materials, and higher tariffs for energy and services of natural monopolies. Consolidation of foreign rolling assets that rely partially on slabs purchased from third parties served as an additional factor.

In Q4 expenses decreased 9% quarter-on-quarter, largely due lower prices for main raw materials, and the RUR weakening against the US$ as well as change in the product mix.

In 2011 the slab production cost at the Lipetsk site was $396/t (+24% y-o-y), due mostly to the increase in prices for coking coal (+30% y-o-y), pellets (+35%), and the products and services of natural monopolies (railway services: +8; natural gas: +15%; electric energy: +9%).

Billet production costs at NLMK Long Products, and slab production costs at NLMK Indiana were impacted by higher prices for ferrous scrap, +20-25% in Russia and the US.

In Q4 slab and billet production costs remained flat quarter-on-quarter, supported by inventory formed in autumn 2011.

SG&A

In 2011 SG&A expenses totaled $1,694 million, up 47% year-on-year, mostly attributable to an increase in administrative expenses following the consolidation of international rolling assets (+111%), as well as higher commercial expenses (+37%) as a result of an increase in sales volumes, transportation expenses and a wider sales geography.

Q4 operating expenses grew 5% quarter-on-quarter, mostly driven by larger sales volumes (+5%).

Operating profit

2011 operating profit was down 7% y-o-y to $1,666 million as a result of a surge in raw material prices and the consolidation of foreign rolling assets with lower profitability. These factors were partially offset by efficient vertical integration and a quality shift in the structure of sales towards HVA products that supported profitability of the operations.

Q4 operating profit totaled $242 million (-11% q-o-q), affected primarily by a decrease in prices and changes in currency exchange rates.

EBITDA

2011 EBITDA was $2,282 million (-3% y-o-y); EBITDA margin was 19.5%.

Q4 EBITDA was $383 million (-20% q-o-q) due to the significant deterioration in the steel prices along with the still high production costs.

Interest expenses

As in 2011 all interest expenses were capitalized, and were not reflected in the profit and loss accounts.

All capitalized interest expenses as at the end of 2011 were $172 million (-1% as compared to 2010 level based on the US$/RUB FX rate as at the end of 2010). The stable level of interest expenses despite the growing gross debt portfolio was mainly attributable to the FX rates change and debt portfolio optimization.

Net FX change

During twelve months of 2011 net FX gain was $19 million (compared to the $59 million loss in 2010). Net FX loss in Q4 was $26 million coming from stronger RUB versus US$ and Euro.

Net profit

FY2011 net profit (attributable to the shareholders of NLMK) was $1,358 million, an increase of 8% y-o-y. Net profit margin was 11.6% as compared to 15% last year. Net profit growth was due to the additional gain of $54 million as a share in the profit from associates. This gain is coming from the share in the profit from NLMK and Duferco joint venture companies' results for the first six months of 2011 (before the consolidation of the rolling assets of this JV into NLMK Group) and the 2011 financial results of NLMK's JV with TBEA. Last year NLMK's share in the loss from the JV companies was $107 million.

Q4 net profit attributable to the shareholders of NLMK was $153 million, a decrease of 32% q-o-q. This decline is largely attributable to the decrease in operating profit and incurring provision of $58 million for the short term loans granted by the scrap collecting assets to the third parties.

Consolidated balance sheet

As of December 31, 2011 the Group's assets totaled $17.3 billion, a 24% increase compared to the beginning of the period. The key factors contributing to this increase were the consolidation of the recently acquired international rolling companies, capital investments, as well as growth of the Group's current assets. Return on assets in 2011 was 8.7% (-0.8 p.p. to 2010).

As of December 31, 2011 the Group's current assets totaled $5.5 billion, a 34% increase compared to the beginning of the reporting year. The biggest contributor to the growth in current asset last year was recorded for accounts receivable (+$313 million, or +25% to the beginning of the year) and inventories (+$1,249 million, or +79%). The key factor contributing to this increase was the consolidation of the international rolling companies: at the close of the deal, the accounts receivable of the newly acquired assets stood at $686 million, and inventories stood at $1,169 million. Current assets were additionally impacted by an increase in production output and finished product deliveries, price changes and the strengthening of the US$ recorded towards the end of the year.

The Group has a significant amount of highly liquid assets with an aggregate of cash and cash equivalents and short-term investments exceeding $1 billion as at the end of 2011, mostly represented by short-term bank deposits.

Stockholders' equity at the end of the reporting period amounted to $10.1 billion, the change ($0.5 billion, +5%) being mostly attributable to the increase in undistributed profits and additional capital. The equity to total assets ratio was 59%, with ROE for 2011 remaining at a stable 13.7%.

Current liabilities of the Group at the end of FY2011 stood at $2.9 billion mostly representing accounts payable ($1.6 billion) and the current portion of our financial liabilities ($1.3 billion).

LT liabilities as at December 31, 2011 stood at $4.2 billion mostly representing the LT portion of our financial liabilities ($3.1 billion).

NLMK's debt leverage remains relatively low. In FY2011 the Company's financial debt increased by 67% to $4.4 billion following the consolidation of the acquired rolling assets. This increase is also attributable to the raising debt to finance capex projects (export credit agencies (ECA)-backed equipment acquisition). Net debt as at the end of the reporting period was $3.4 billion. Net debt to EBITDA ratio was 1.47.

Cash flow

Cash flow from operating activities

Cash flow from operating activities in FY2011 amounted to $1,805 million, +26% year-on-year. This increase was largely driven by improvements in financial performance and working capital optimization.

In Q4 cash flow from operating activities totaled $320 million (-51% q-o-q). This decrease was related to lower income in Q4 and weaker cash flows compared to Q3 due to working capital optimization.

A sufficient volume of cash flow from operating activities allows the Company to perform large scale investments, efficiently using own and external funds without significant growth in debt capital raisings.

Cash flow from investing activities

Cash outflow from investing activities in 12M 2011 amounted to $1,869 million (+1%). The bulk of the outflow was directed to capital investments. $2,048 million (+40% y-o-y) went towards the purchase and construction of PPE due to the completion of large production projects at the Lipetsk site.

In 2011 NLMK made placements of available cash and cash equivalents to the ST bank deposits. These transactions were reflected in the captions "Purchase of investments and placement of bank deposits" (-$524 million) and "Proceeds from sale of investments and loans settled" ($718 million).

Cash outflow from investing activities in Q4 2011 amounted to $734 million (+123% q-o-q). This increase was mostly attributable to cash placements to ST deposits. Capital investments were down 15% q-o-q to $519 million, as construction was completed and hot testing began at BF-7 and the new BOF at our Lipetsk site.

Cash flow from financing activities

Net cash inflow from financing activities in 12M 2011 totaled $48 million (Q4 saw a net inflow of $353 million). Financing activities were largely determined by three factors: $284 million in net credits and loans; $516 million in dividends; and cash inflow from the NTK divestment ($313 million).

In Q4 net borrowed funds amounted to $625 million, mostly determined by the placement of three ruble bond (exchange traded notes) issues worth RUR20 billion ($0.6 billion).

Cash and cash equivalents as at the end of 2011 stood at $797 million (+7% y-oy). Inclusive of short-term financial investments, the Company's highly liquid assets exceed $1 billion.

Steel segment

USD million	Q4 2011	Q3 2011*	Change, %	12M 2011	12M 2010	Change, %
Crude steel production, '000 tonnes	2,700	2,402	+12%	9,760	9,288	+5%
Revenue from external customers	1,886	1,965	-4%	8,043	6,703	+20%
Revenue from intersegmental operations	331	361	-8%	985	351	+181%
Gross profit	456	555	-18%	2,186	2,146	+2%
Operating profit	157	251	-38%	1,075	1,317	-18%
Profit after income tax	207	287	-28%	1,160	1,466	-21%

The Group's financial performance is largely defined by the performance of the Steel segment, which comprises Novolipetsk (Lipetsk site), VIZ-Stal (a producer of electrical steel), trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland, Altai-Koks (Russia's largest non-integrated coke manufacturer; previously formed a separate segment), as well as a number of service companies. In the 12M 2011 results NLMK Indiana and NLMK DanSteel, previously part of the Steel segment, were included into the Foreign Rolled Products segment.

In Q4 2011 the Steel segment produced 1.7 mt of coke (6% coke moisture) at coke batteries at Novolipetsk and Altai-Koks, in line with Q3 results. In 2011 coke output was 6.6 mt (+9% year-on-year).

The Steel segment's operating results improved following the launch of the new BF#7 and BOF. The segment's facilities produced 2.7 mt (+12% quarter-on-quarter) of crude steel and 1.2 mt of flat steel products (-6%). The 12M steel output totaled 9.8 mt (+5% year-on-year); flat steel output totaled 4.8 mt (+1% year-on-year).

2011 revenue from external customers amounted to $8,043 million (+20% to 2010). The increase was attributable to higher sales volumes and average prices for products.

Slab supplies to foreign rolling assets (formed into a separate segment) lead to the substantial (2.8 times) annual intersegmental revenue growth.

Q4 2011 revenue declined slightly due to lower prices and exchange rate changes.

2011 operating profit amounted to $1,075 million (-18% year-on-year). The profit reduction is associated with a substantial increase in raw material prices, energy and commercial expenses of the Segment.

Lower Q4 profitability is attributable to high raw material costs and reduced revenues.

The completion and ongoing execution of several large investment projects during 2011 resulted in a higher capital expenditures that totaled $1,330 million, +25% year-on-year.

Outlook

Once the new steelmaking facilities are launched at Novolipetsk in

2012, we expect higher operating results. We believe measures dedicated to control over production costs and efficiency growth will allow maintaining strong financials for the segment. Following the completion of the new BF #7 and the reconstruction of the BOF facilities we expect lower capital expenditures for the segment in 2012.

** - management accounts*

As part of the consolidation of Steel Invest and Finance rolling assets, the Group’s segment reporting breakdown was adjusted (see Note #22 to consolidated US GAAP Results for 12M 2011).

- A separate Foreign Rolled Products segment was formed, alongside Steel Invest and Finance comprising NLMK Indiana and NLMK DanSteel, which used to be included into the Steel segment (in H1 2011 results);

- Results for Altai-Koks were included into the Steel segment (previously formed a separate Coke-chemical segment).

Long products segment

USD million	Q4 2011	Q3 2011*	Change, %	12M 2011	12M 2010	Change, %
Long products and metalware production, '000 tonnes	348	366	-5%	1,545	1,404	+10%
Revenue from external customers	259	299	-13%	1,154	865	+33%
Revenue from intersegmental operations	126	204	-38%	640	512	+25%
Gross profit	29	55	-47%	208	209	0%
Operating profit	-65	-1		-55	-28	+97%
Profit after income tax	-165	-56	+194%	-317	-245	+30%

The Long products segment includes the Long Products Division companies: NSMMZ, UZPS, scrap collecting and processing facilities, and others. The core activities of these companies are ferrous and non-ferrous scrap collection and processing, steel-making (EAF-based) and long products and metalware manufacturing.

12M segmental steel output decreased substantially to 1.5 mt (-14% year-on-year) as a result of transformer failure and subsequent repairs at one of the two EAFs. In order to compensate for the reduced output, the Company managed to purchase billets from 3rd parties which contributed to the annual rolled products output growth: long products and metalware production increased 10% and 8%, to 1.3 mt and 0.2 mt, respectively. Q4 crude steel output was 0.3 mt (flat quarter-on-quarter). Following the seasonal decline in demand the output of long products reduced 5% to 0.3 mt.

12M revenue from external customers amounted to $1,154 million (+33% year-on-year). The increase is attributable to higher sales volumes and prices. The intersegmental turnover gained 25% following the growing volumes of scrap sold to the Group's companies. The operating loss of $55 million was the result of pressure from the surging scrap prices and electricity tariffs.

Q4 revenue from external customers reduced 13% to $259 million because of the seasonal decline in the Russian construction industry and USD appreciation against RUR. The intersegmental revenue was lower due to the declined scrap sales during the winter period. The decline in the segment's revenues resulted in a gross profit decrease to $29 million and an operating loss of $65 million.

The loss after income tax includes interest expenses from intercompany loans provided by the Parent company.

Annual capital expenditures amounted to $391 million, +54% year-on-year. The growing investments are associated with the continued construction of the Kaluga mini-mill.

Outlook

In January 2012 we completed the repair of the EAF's transformer which allowed us to relaunch the furnace at NSMMZ idled after the incident. This will help us to improve our operating results and to reduce our production costs.

In 2012 we plan to complete the final stage of the Kaluga 1.5 million tpa mini-mill construction which will allow us to reduce the level of the segment’s capital expenditures.

Mining segment

USD million	Q4 2011	Q3 2011*	Change, %	12M 2011	12M 2010	Change, %
Iron ore concentrate and sinter ore production, '000 tonnes	3,899	3,925	-1%	15,072	13,845	+9%
Revenue from external customers	57	36	+58%	149	81	+83%
Revenue from intersegmental operations	304	349	-13%	1,291	831	+55%
Gross profit	266	292	-9%	1,075	604	+78%
Operating profit	246	268	-8%	992	545	+82%
Profit after income tax	178	279	-36%	841	428	+96%

NLMK's Mining segment comprises Stoilensky, Dolomit and Stagdok. These companies mainly supply raw materials to NLMK's production facilities in Lipetsk and also sell limited volumes outside the Group.

In 12M 2011 Stoilensky, the principal mining company within the Group increased its output by 11% to 13.4 mt of iron ore concentrate following the launch of new beneficiation facilities. The sinter ore production was flat y-o-y and totaled 1.7 mt. Q4 concentrate output was 3.5 mt, or 1% lower q-o-q. Sinter ore output stood flat to the previous quarter level of 0.4 mt.

Limestone production in 2011 was flat y-o-y and totaled 3.3 mt. Dolomit output increased 39% to 2.1 mt.

Higher sales prices and volumes along with constant control over production costs resulted in improved financial performance. The annual revenue from external customers increased 83% while intersegmental revenue grew 55%. This turnover growth allowed achieving higher operating profit (x1.8 times y-o-y) and an operating margin of 69%.

The insignificant reduction in Q4 financial results is mainly determined by lower RUR against USD (currency of US GAAP results).

Total annual capital expenditures for 2011 amounted to $220 million, a 74% growth to 2010. Higher y-o-y investments were related to the launch of beneficiation facilities and the start of the pelletizing plant construction at Stoilenskiy.

Outlook

Constant control over production costs together with sustainable demand for iron ore will allow the segment to maintain high margins in the future.

Construction of the pelletizing plant, and further expansion of the mining and beneficiation operations at Stoilensky will result in substantial capital expenditures in 2012.

Foreign Rolled Products segment

USD million	Q4 2011	Q3 2011*	Change, %	12M 2011	12M 2010	Change, %
Steel products sales, '000 tonnes	960	957	+0%	2,435 (4,103) *	957 (4,100) *	x 2.5 times (-0%)*
Revenue from external customers	906	978	-7%	2,382	700	x 3.4 times
Revenue from intersegmental operations	3	0		3	0	
Gross profit	-23	-72	-68%	-61	8	
Operating profit	-130	-187	-30%	-305	-31	x 9.8 times
Profit after income tax	-155	-170	-8%	-327	-50	x 6.6 times

The figures in brackets represent an approximation of sales volumes for the whole year.

** - management data*

The Foreign Rolled Products segment comprises steelmaking companies located outside Russia, including rolling assets in Europe and the US that became part of the Group starting from July 2011. These assets include NLMK Clabecq (Belgium) and NLMK Verona (Italy), thick plates manufacturers, and NLMK La Louvière (Belgium), NLMK Coating (France), NLMK Strasbourg (France), NLMK Pennsylvania (US), Sharon Coating (US), flat steel producers. This segment also includes NLMK Indiana and NLMK DanSteel, previously part of the Steel segment.

In 2011 sales volumes of the segment amounted 2.4 mt, x2.5 times y-o-y. Actual sales volumes for the segment's companies remained at a relatively stable level (excluding the effect of consolidation). Operating results for Q4 were also mainly flat quarter-on-quarter.

Annual sales revenue from external customers was $2,382 million, x3.4 times compared to 2010. The acquisition of Steel Invest and Finance rolling assets was the key growth factor.

Due to record low economic activity in Europe and significant deterioration in the market environment financial results of the segment were well below its historical performance. The 2011 operating loss of the segment totaled $305 million. In H1 2011 operating profit of SIF rolling assets consolidated starting from July 1, 2011, amounted to $95 million. With these results considered, operating loss in 2011 could have amounted to $188 million, with an EBITDA of c.-$62 and an EBITDA margin of c.0%.

Q4 revenue totaled $906 million, or -7% q-o-q, pressured by unstable demand and lower product prices. However, operating loss was 30% lower as a result of higher operating efficiency and lower prices for incoming slabs.

The total annual capital expenditures of the segment amounted to $104 million. The amount was mainly directed to the new NLMK Clabecq Quench and Tempering line and to the upgrade of NLMK DanSteel's rolling equipment.

Outlook

NLMK will continue to optimize the efficiency of its international rolling assets, ensuring a better financial performance in 2012.

Capital expenditures will increase somewhat due to the launch of the new rolling mill at NLMK DanSteel.

(1) EBITDA calculation

$ million	12M 2011	12M 2010	Q4 2011	Q3 2011
Net profit attributable to NLMK shareholders	1,358	1,255	153	225
Minus:				
Equity in net profit / (losses) of associate	54	-107	0	1
Net interest income	30	29	10	1
Income tax	-421	-391	-21	-148
Loss on disposal of fixed asset	-29	-10	-6	-1
Impairment losses	-589	-469	-129	-201
Depreciation and amortization	0	-58	0	0
Net foreign currency exchange	19	-59	-26	14
Gains (losses) from financial Investments	12	-28	-57	82
EBITDA	**2,282**	**2,349**	**383**	**478**

(2) Sales by region in 2010-2011
(in ’000 tonnes)

Region	**12M 2011**	12M 2010	**Q4 2011**	Q3 2011	Q2 2011	Q1 2011
Russia	**4,267**	3,704	**1,056**	1,113	1,126	972
EU	**2,865**	3,039	**561**	676	997	632
Middle East incl. Turkey	**1,606**	1,917	**341**	473	324	467
North America	**1,730**	1,383	**505**	561	313	350
Asia and Oceania	**1,334**	1,202	**827**	202	130	176
Other regions	**1,038**	486	**262**	361	246	168
TOTAL	**12,840**	**11,731**	**3,552**	**3,386**	**3,136**	**2,766**

(3) Sales by products in 2010-2011
(in ’000 tonnes)

Product type	**12M 2011**	12M 2010	**Q4 2011**	Q3 2011	Q2 2011	Q1 2011
Pig iron	**962**	582	**448**	229	132	153
Slabs	**3,130**	3,835	**698**	561	1,156	715
Hot-rolled thick plates	**696**	348	**243**	244	106	103
Hot-rolled steel	**2,868**	2,424	**817**	892	504	655
Cold-rolled steel	**1,621**	1,527	**402**	502	371	348
Galvanized steel	**917**	576	**341**	313	124	139
Pre-painted steel	**518**	332	**147**	144	123	105
Transformer steel	**239**	198	**66**	62	55	55
Dynamo steel	**277**	268	**63**	60	76	77
Billets	**84**	263	**0**	10	29	45
Long products	**1,287**	1,158	**281**	299	389	318
Metalware	**239**	219	**46**	70	71	52

Total	**12,840**	**11,731**	**3,552**	**3,386**	**3,136**	**2,773**

(4) Revenue by region, 2009-2011

Region	12M 2011		12M 2010		12M 2009	
	$ million	Share, %	$ million	Share, %	$ million	Share, %
Russia	4,463	38,1%	3,434	41,1%	2,280	37,1%
EU	2,771	23,6%	1,803	21,6%	847	13,8%
Middle East incl. Turkey	1,238	10,6%	1,162	13,9%	1,302	21,2%
North America	1,190	10,1%	797	9,5%	301	4,9%
Asia and Oceania	998	8,5%	698	8,4%	1,225	20,0%
Other regions	1,069	9,1%	456	5,5%	185	3,0%
TOTAL	**11,729**		**8,351**		**6,140**	

(5) Working capital, in $ million

	31.12.2011	30.09.2011	30.06.2011	31.03.2011	31.12.2010
Current assets	**5,504**	**5,644**	**4,811**	**4,438**	**4,105**
Cash and cash equivalents	797	830	911	977	748
Short term investments	227	59	202	265	423
Accounts receivable	1,573	1,694	1,669	1,295	1,260
Inventories	2,828	2,939	1,923	1,784	1,580
Other current assets, net	78	122	106	116	95
Current liabilities	**2,940**	**3,163**	**2,141**	**1,831**	**1,652**
Accounts payable	1,623	2,098	1,535	1,252	1,107
Short-term debt	1,306	1,031	544	553	526
Other current liabilities	11	34	62	26	19
Working capital	**2,564**	**2,481**	**2,670**	**2,607**	**2,454**

(6) Consolidated production costs for products sold

Item	12M 2011		12M 2010		12M 2009	
	$ million	Share, %	$ million	Share, %	$ million	Share, %
Iron ore	482	6%	237	5%	107	3%
Coke and coal	1,709	22%	1,172	24%	597	16%
Scrap	1,239	16%	924	19%	521	14%
Ferroalloys	267	3%	295	6%	156	4%
Other raw materials	925	12%	297	6%	358	10%
Energy	608	8%	452	9%	318	9%
Natural gas	288	4%	223	5%	152	4%
Other fuel and energy resources	73	1%	92	2%	52	1%
Labour expenses	853	11%	643	13%	515	14%
Other expenses	1,256	16%	660	13%	509	14%
Changes in the balance of semi-finished products, WIP and finished goods	80	1%	-63	-1%	386	11%
Production costs	**7,780**		**4,933**		**3,672**	

	Note in ials	As at December 31, 2011	As at December 31, 2010	As at December 31, 2009
ASSETS				
Current assets				
Cash and cash equivalents	шибка!	797,169	747,979	1,247,048
Short-term investments	шибка!	227,279	422,643	451,910
Accounts receivable and advances given, net	шибка!	1,572,641	1,259,596	913,192
Inventories, net	шибка!	2,828,433	1,580,068	1,134,095
Other current assets		59,355	51,994	58,034
Deferred income tax assets	шибка! Источни	18,887	43,069	72,467
		5,503,764	**4,105,349**	**3,876,746**
Non-current assets				
Long-term investments	шибка!	8,420	687,665	468,236
Property, plant and equipment, net	шибка!	10,569,828	8,382,478	7,316,180
Intangible assets, net	шибка!	158,611	181,136	203,490
Goodwill	шибка!	760,166	494,654	556,636
Deferred income tax assets	шибка!	237,113	21,387	12,199
Other non-current assets		19,274	26,356	68,457
		11,753,412	**9,793,676**	**8,625,198**
Total assets		**17,257,176**	**13,899,025**	**12,501,944**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and other liabilities	шибка! Источни	1,622,679	1,107,434	841,230
Short-term borrowings	шибка!	1,306,263	525,559	556,563
Current income tax liability		10,994	18,803	19,419
		2,939,936	**1,651,796**	**1,417,212**
Non-current liabilities				
Deferred income tax liability	шибка!	713,666	400,601	396,306
Long-term borrowings	шибка!	3,073,535	2,098,863	1,938,652
Other long-term liabilities	шибка!	424,878	193,951	139,906
		4,212,079	**2,693,415**	**2,474,864**
Total liabilities		**7,152,015**	**4,345,211**	**3,892,076**
Commitments and contingencies		-	-	-
Stockholders' equity				
NLMK stockholders' equity				
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at December 31, 2011, 2010 and 2009	шибка! Источни к ссылки	221,173	221,173	221,173
Statutory reserve		10,267	10,267	10,267
Additional paid-in capital		306,391	98,752	112,450
Accumulated other comprehensive loss		(1,489,442)	(916,901)	(796,756)
Retained earnings		11,098,635	10,261,214	9,171,068
		10,147,024	**9,674,505**	**8,718,202**
Non-controlling interest	шибка!	**(41,863)**	**(120,691)**	**(108,334)**
Total stockholders' equity		**10,105,161**	**9,553,814**	**8,609,868**
Total liabilities and stockholders' equity		**17,257,176**	**13,899,025**	**12,501,944**

	Note in ials	For the year ended December 31, 2011	For the year ended December 31, 2010	For the year ended December 31, 2009
Revenue	**шибка!**	**11,728,556**	**8,350,748**	**6,139,895**
Cost of sales				
Production cost		(7,780,243)	(4,933,236)	(3,672,245)
Depreciation and amortization		(588,707)	(469,418)	(478,117)
		(8,368,950)	**(5,402,654)**	**(4,150,362)**
Gross profit		**3,359,606**	**2,948,094**	**1,989,533**
General and administrative expenses		(556,169)	(263,146)	(297,246)
Selling expenses		(972,685)	(708,868)	(654,628)
Taxes other than income tax		(165,073)	(123,311)	(102,076)
Impairment losses	**шибка!**	-	(58,179)	(43,662)
Operating income		**1,665,679**	**1,794,590**	**891,921**
Loss on disposals of property, plant and equipment		(29,293)	(9,657)	(4,420)
Gains / (losses) on investments, net		11,922	(27,991)	(10,903)
Interest income		29,531	45,071	59,733
Interest expense		-	(15,865)	(170,905)
Foreign currency exchange gain / (loss), net		18,662	(59,262)	(78,026)
Other expenses, net	**шибка!**	(14,337)	(4,598)	(92,661)
Income before income tax		**1,682,164**	**1,722,288**	**594,739**
Income tax expense	**шибка!**	(421,034)	(390,972)	(181,784)
Income, net of income tax		**1,261,130**	**1,331,316**	**412,955**
Equity in net earnings / (losses) of associates	**шибка! Источни**	54,272	(107,338)	(314,859)
Net income		**1,315,402**	**1,223,978**	**98,096**
Add: Net loss attributable to the non-controlling interest	**шибка! Источни**	**42,192**	**31,065**	**116,959**
Net income attributable to NLMK stockholders		**1,357,594**	**1,255,043**	**215,055**
Income per share – basic and diluted:				
Net income attributable to NLMK stockholders per share (US dollars)		0.2265	0.2094	0.0359
Weighted-average shares outstanding, basic and diluted (in thousands)	**шибка! Источни**	5,993,227	5,993,227	5,993,227

	Note	For the year ended December 31, 2011	For the year ended December 31, 2010	For the year ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income		**1,315,402**	**1,223,978**	**98,096**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		588,707	469,418	478,117
Loss on disposals of property, plant and equipment		29,293	9,657	4,420
(Gains) / losses on investments, net		(11,922)	27,991	10,903
Equity in net (earnings) / losses of associates	шибка! Источни	(54,272)	107,338	314,859
Deferred income tax expense	шибка!	45,643	33,790	34,443
Losses / (gains) on unrealized forward contracts		4,819	(4,225)	(470,930)
Impairment losses	шибка!	-	58,179	43,662
Other		24,967	99,735	21,825
Changes in operating assets and liabilities				
Decrease / (increase) in accounts receivable		130,417	(356,198)	493,751
(Increase) / decrease in inventories		(368,932)	(458,033)	331,396
Decrease in other current assets		13,495	5,517	17,193
Increase in accounts payable and other liabilities		97,616	213,979	10,534
(Decrease) / increase in current income tax payable		(10,118)	(29)	5,990
Net cash provided by operating activities		**1,805,115**	**1,431,097**	**1,394,259**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases and construction of property, plant and equipment		(2,047,852)	(1,463,209)	(1,120,777)
Proceeds from sale of property, plant and equipment		26,980	26,362	12,719
Purchases of investments and placement of bank deposits		(523,661)	(832,472)	(536,098)
Withdrawal of bank deposits, proceeds from sale of other investments and loans settled		717,539	450,255	510,336
Payment for acquisition of interests in new subsidiaries net of cash acquired of $112,806 in 2011	шибка! Источни к	(41,751)	-	-
Acquisitions of subsidiaries, net of cash acquired of $22 in 2010	шибка! Источни	-	(28,363)	-
Loans issued		-	-	(403,592)
Settlement of abandoned acquisition	шибка!	-	-	(234,000)
Net cash used in investing activities		**(1,868,745)**	**(1,847,427)**	**(1,771,412)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and notes payable		1,967,362	933,873	1,076,756
Repayment of borrowings and notes payable		(1,683,536)	(802,143)	(1,540,242)
Capital lease payments		(32,525)	(46,356)	(69,094)
Dividends to shareholders		(516,335)	(164,501)	(1,981)
Proceeds from disposal of assets to the entity under common control		313,246	-	-
Dividends to non-controlling shareholders of existing subsidiaries		-	-	(127)
Net cash provided by / (used in) financing activities		**48,212**	**(79,127)**	**(534,688)**
Net decrease in cash and cash equivalents		**(15,418)**	**(495,457)**	**(911,841)**
Effect of exchange rate changes on cash and cash equivalents		64,608	(3,612)	(1,100)
Cash and cash equivalents at the beginning of the year	шибка! Источни	747,979	1,247,048	2,159,989
Cash and cash equivalents at the end of the year	шибка! Источни	**797,169**	**747,979**	**1,247,048**