NLMK

RNS Announcement

NLMK 9M 2011 US GAAP results

NLMK, the LSE-listed leading steel producer, today announces its consolidated US GAAP results for Q3 and 9M 2011.

In Q3, with the Eurozone financial crisis still unfolding, steel market conditions deteriorated significantly, with a dramatic drop in prices and softening in demand occurring across the European markets. Production costs continued to grow, driven by the industry's extended production cycle, related to the increase in the price of raw materials purchased in the previous periods.

In Q3, the EU and US rolling assets, formerly part of the NLMK/Duferco JV, were consolidated on the Group's balance sheet for the first time. The newly acquired assets, with approximately 6 million tonnes of rolling capacity, enabled the Company to improve its sales mix with a bigger share of finished rolled products, as well as ensuring a greater geographic diversification of NLMK's business operating segments. At the same time, the consolidation of the relatively lower margin rolling assets in the EU and US in the weak market had a negative impact on profitability. Despite the fact that the Group's revenue totaled $3.3 billion, up 12% quarter-on-quarter, the EBITDA was $537 million ($478 including the unrealized profit adjustment related to the sale of slabs to Steel Invest and Finance rolling assets in Q2, for more details on roll back effect see page 8). The EBITDA margin contracted to 16%; 14% including the unrealized profit adjustment related to the sale of slabs to Steel Invest and Finance rolling assets in Q2. Net income amounted to $225 million.

Steel production costs at the Lipetsk site (75% of the Group's total steelmaking capacity) were in line with Q2 at approximately $405 per tonne (-$1 quarter-on-quarter).

Q4 2011 outlook

The Group's Q4 sales volumes will be approximately 3.5 million tonnes. The pricing environment in the domestic market will remain mostly stable. Prices in the export market are still under pressure due to the weaker economic conditions, as well as seasonal factors. The Company reconfirms its full year production outlook in the range of 12 million tonnes of steel. In Q4 we expect steel production output to grow 7%, as well as sales, following the launch of the new blast furnace. We expect Q4 profitability to be in the range of 15%.

Q3 AND 9M 2011 KEY HIGHLIGHTS

'000 tonnes/ $ million	***Q3 2011***[1]	***Q2 2011***[1]	*Change%*	***9M 2011***	***9M 2010***	*Change,%*
Steel product sales	***3,421***	*3,136*	*9%*	***9,329***	*8,709*	*7%*
Incl. HVA[2]	***1,398***	*927*	*51%*	***3,204***	*2,583*	*24%*
Revenue	**3,334**	2,982	12%	**8 675**	6,085	43%
Operating profit	**271**	689	-61%	**1,423**	1,460	-3%
EBITDA including roll-back effect[3]	**478**	837	-43%	**1,900**	1,856	2%
EBITDA margin (%)	**14%**	28,1%		**21.9%**	30.5%	
Net income[4]	**225**	587	-62%	**1,204**	1,106	9%
Net debt[5]	**2,933**	1,500	95%	**2,933**	1,148	156%
Net debt/EBITDA[6]	**1.23**	0,57		**1.23**	0.48	

Notes:

[1] *Reporting periods of the company are 9M, 6M 2011, 3M, 3M 2011, and 9M, 6M, 3M, FY2010. Q3 and Q2 2011 figures are derived by computational method. The same assumption applies to the calculation of segmental financial results.*

[2] *HVA products include plates, cold-rolled, galvanized, pre-painted and electrical steel, and metalware*

[3] *EBITDA calculations are presented in Appendix 1 on page 17.*

[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*

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.

CONFERENCE CALL DETAILS

Conference call will take place on Wednesday, 16 November 2011
09:00 (New York)
14:00 (London)
18:00 (Moscow)

To join the conference call, please, register on-line:
https://eventreg1.conferencing.com/webportal3/reg.html?Acc=513832&Conf=180875

or dial
International Call-in Number: +44 (0)20 7162 0025
US Call-in Number: +1 334 323 6201
Conference ID: 907218

NLMK will be represented by:
Galina Aglyamova, CFO
Anton Bazulev, Director, External Communications
Sergey Takhiev, Head of Investor Relations
*We recommend that participants register on-line to avoid waiting in a queue or to start dialing in 5-10 minutes prior to ensure a timely start to the conference call.
It is recommended that participants download presentation in advance on NLMK’s web-site www.nlmk.com

The conference call replay will be available through November 22, 2011
International Replay Number: +44 (0) 20 7031 4064
US Replay Number: +1 954 334 0342
Replay Access Code: 907218

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MANAGEMENT COMMENTS

The consolidation of rolling assets supports NLMK's long-term development, and has already resulted in higher revenues, an improved product mix and geography of sales, as well as higher overall utilization rates. The EU and US have traditionally been NLMK's key export markets. Consolidating its position in these regions serves the Group's strategic objectives of improving the stability of sales and creating a balanced value chain. At the same time, financial performance was pressured by the current macroeconomic conditions and the weak pricing environment. Moreover, the consolidation of large-scale rolling operations in the EU and the US had a significant negative effect on the quarterly performance. As the impact of these factors changes, we expect our results to improve in the near future.

Ms Galina Aglyamova, Chief Financial Officer, said:

"The Group's main companies were able to maintain sales volumes, despite the market weakening (-3-5% quarter-on-quarter drop in prices), particularly in our key export market in Europe (-5-10% quarter-on-quarter). With export sales up (+3 p.p.) and the EU and US rolling assets operating at a loss, the Group's financial performance was compromised. Nonetheless, our results allow us to steadily develop the company, financing growth and efficiency expansion projects. The Company maintained high utilization rates (over 90%) despite the negative market sentiment. The Upgrade Program is yielding impressive results. After the new blast furnace reaches design capacity and the new Mini Mill in the Kaluga region is launched in 2012, NLMK's total production capacity in Russia will reach 16 million tonnes. As a result, the Company will become one of Russia's leading steel manufacturers, ensuring a significant growth in sales and profits in the near future. This year we added 2 million tonnes of additional iron ore processing capacity, and we plan to add 4 million tonnes more within the next 2.5 years. Continued development targeting further vertical integration and lower cash costs through the cycle will ensure high business profitability in the mid- and long-term.

"In Q4 we expect our operating performance to improve, driven primarily by the commissioning of the new BF and BOF at our main production site in Lipetsk. As a result, our full year production will increase by 500,000 tonnes to 12 million tonnes."

Operating performance

NLMK Group produced 2.9 million tonnes of steel (-3% quarter-on-quarter) in Q3 2011. Steelmaking facilities were running at over 90% (100% for the main production site in Lipetsk).

Steel product sales totaled over 3.4 million tonnes, +9% quarter-on-quarter. The consolidation of rolling assets in the EU and US allowed NLMK to grow its high value added (HVA) sales by 51% to 1,398,000 tonnes. Domestic sales remained stable at approximately 1.1 million tonnes, while export sales grew 15% to 2.3 million tonnes.

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 6 million tonnes, or approximately 50% of the Group's total rolling capacities.

As part of the consolidation of Steel Invest and Finance rolling assets, the Group's segment reporting breakdown was adjusted (see Note #12 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).

In October 2011 NLMK acquired an electrical steel service center in India with a cutting and processing capacity of 15,000 tonnes, opening direct access to final consumers in this fast-growing market.

Capex program

In Q3 NLMK continued the implementation of its key capex projects, allocating c.$0.6 billion for these purposes.

Steelmaking and rolling facilities

The construction of the 3.4 million tonne Blast Furnace #7 at the Lipetsk site is complete. The facility is currently in start-up mode. It is expected to reach design capacity at the end of 2011.

In October Novolipetsk (NLMK's main production site in Lipetsk) launched a new c.3 mtpy 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 mtpy 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 mtpy mill is expected to be launched in mid-2012.

Developing rolling assets

NLMK's rolling assets continued to master the production of high-permeability transformer steel (HPTS). HPTS production at the Lipetsk site is to begin in Q1 2012. VIZ-Stal, a subsidiary of NLMK Group, continues efforts to enhance product quality.

In October 2011 NLM Clabecq, the Group's European asset, officially launched a new quenching and tempering line with a capacity of 250,000 tonnes. Novolipetsk is going to supply the bulk of slabs.

Self-sufficiency in iron ore

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

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 specific emissions.

2011 capex

In 2011 NLMK plans to allocate c. $2 billion towards the implementation of its Technical Upgrade Program.

Debt management

As at September 30, 2011, the total debt of the Group stood at $3,822 million (with ST debt accounting for 27%) while net debt amounted to $2,933 million, 95% higher compared to June 30, 2011.

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.

As at September 30, a substantial part of the debt is represented by 3-year Russian exchange traded bonds issued in the end of 2009 **–** beginning of 2010 as well as by the $1.6 billion 5 year loan attracted in 2008 with the interest rate LIBOR + 1.2%, as well as a loan agreement guaranteed by Export Credit Agencies to finance equipment acquisitions.

As at the end of Q3, the Net debt/ 12M EBITDA ratio is 1.23.

In November NLMK closed the order book for its 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. Proceeds from the placement of bonds will be used to refinance the Company's short-term debt, as well as for other corporate purposes.

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.

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 $263 million or c. 30% of the Company's net profit for 6M 2011.

Consolidated financial results

Key drivers for Q3 2011 financial performance:

- ***Higher sales of HVA products***

Following the consolidation of Steel Invest and Finance rolling assets, Q3 HVA sales grew 51% to 1,398,000 tonnes. The biggest growth – x2.5 times to 313,000 tonnes – was recorded for galvanized steel, produced at the Lipetsk site, as well as at NLMK USA and NLMK Europe Strip Products. Plate sales by NLMK Europe Plate Products grew 2.3-fold to 244,000 tonnes. Cold rolled steel sales were up 36% to 504,000 tonnes, pre-painted steel sales increased 17% to 144,000 tonnes.

Slab sales to external customers dropped 51% to 571,000 tonnes as finished product sales increased and a part of slabs was processed at the Company's captive facilities in Europe and the US. An improved product sales pattern resulted in higher average sales prices for steel products, +4% to $858/tonne.

• ***Weaker market conditions***

In Q3 prices for steel products continued to fall in the main sales markets. The situation in the domestic market was more stable, supported by the growth in demand from key consumers, including construction and machine-building.

• ***Changes in sales geography***

In Q3 NLMK Group increased its steel product sales by 9% to 3,421,000 tonnes. Domestic sales remained stable at 1.1 million tonnes, the growth being largely attributable to deliveries to the recently acquired assets. The highest growth was recorded in North America, +89% to 594,000 tonnes; to Middle East and Turkey, +46% to 473,000 tonnes, as well as to Asia, +56% to 202,000 tonnes.

• ***Higher production expenses***

Key factors impacting the growth of production expenses in Q3 include:

(1) Changes in the structure of sales and the consolidation of the Foreign Rolled Products segment production expenses (these newly acquired rolling assets being characterized by higher cash costs). The segment's rolling capacity needs were partially fulfilled by supplies from third parties, primarily at NLMK USA, where slabs are produced in-house at NLMK Indiana, and purchased in the market.

(2) During hot-testing (starting from August 30, 2011) at Blast Furnace #7 in Lipetsk, there was a need to use extra high quality coke to bring the furnace to design capacity. As a result, the mix of purchased coals had to be altered towards a higher share of coking coals imported from the US, unavailable in the Russian market.

(3) The increase in pig iron production at the Lipetsk site resulted in higher demand for iron ore. NLMK is planning to acquire approximately 5 million tonnes of pellets to ensure optimal capacity utilization. At the same time, Stoilensky is expanding its extracting and beneficiation capacities. After NLMK's Pelletizing Plant is launched (starting from 2014), the Company will be fully self-sufficient in iron ore.

Revenue

In Q3 2011 sales revenues reached $3,334 million (+12% quarter-on-quarter), attributable to the growth of steel sales volumes (+9% quarter-on-quarter), and an improved product mix.

The Group's 9M revenue totaled $8,675 million (+43% year-on-year) as a result of larger sales, including for HVA rolled products, as well as higher average sales prices against 9M 2010.

Production costs

Due largely to the growth in costs following the consolidation of international rolling assets, as well as higher expenses at NLMK Group's Russian sites, Q3 2011 production expenses (excluding depreciation and amortization) amounted to $2,367 million (+33% quarter-on-quarter).

9M 2011 production expenses grew 62% year-on-year to $5,618 million, due largely to higher prices for raw materials, higher tariffs for the products and services of natural monopolies in Russia, larger sales volumes, as well as the costs of the recently acquired rolling assets.

SG&A

In Q3 2011 SG&A expenses totaled $494 million, up 32% quarter-on-quarter, mostly attributable to the consolidation of foreign rolling assets, as well as higher sales volumes (+9% quarter-on-quarter).

9M operating expenses grew 45% year-on-year, mostly driven by the consolidation of rolling assets, larger transportation volumes, higher freight rates, as well as an increase in administrative expenses at the Kaluga site.

Operating profit

Q3 operating profit was down 61% to $271 million as a result of lower steel prices related to the negative sentiment in the key sales markets. This decrease was additionally impacted by higher production and operating expenses at the Group's Russian and international sites, attributable to higher prices for raw materials.

9M 2011 operating profit totaled $1,423 million. Higher year-on-year product sales prices and volumes were offset by higher prices for raw materials and the costs of the recently acquired rolling assets. As a result, operating profit was down 3%.

EBITDA

The Q3 EBITDA includes the $59 million adjustment of unrealized profit related to the sales of semi-finished goods to Steel Invest and Finance in Q2. Steel Invest and Finance was recognized as NLMK's subsidiary as at July 1, 2011. Prior to this date, revenues, costs and profits were reflected when NLMK slabs were sold to Steel Invest and Finance rolling assets, as is done with sales to third parties. As at September 30, 2011 a part of slabs supplied in Q2 was not processed and sold to third parties and remained stockpiled at Steel Invest and Finance. To show the 9M EBITDA correctly, unrealized profit recognized by NLMK in Q2 was adjusted in Q3. Without the roll-back effect, the Q3 EBITDA was $537 million, and the EBITDA margin was 16%. With the roll-back effect, the Q3 EBITDA was $478 million, and the EBITDA margin was 14%. This decrease was attributable to the growth of costs throughout the quarter.

9M EBITDA increased 2% year-on-year to $1,900 million, driven mostly by higher prices, improved sales structure and increased sales volumes.

Interest expenses

Debt service interest expenses were not recognized in the Q3 2011 Income Statement. This is attributable to the fact that all debt service financial expenses for the stated period were capitalized. The amount of capitalized interest expenses in 9M 2011 was $114 million (see Note 6 to the Financial Statements).

Other income and expenses

Other income and expenses in Q3 were significantly impacted by gains from financial investments ($82 million), determined largely by operations related to the consolidation of Steel Invest and Finance.

Net income

In Q3 2011 the Group's net income (attributable to NLMK's main shareholders) was down to $225 million due to lower profit from main activities. Net income margin was 7% (-13 p.p. quarter-on-quarter).

9M net income was $1,204 million, +9% year-on-year. Net income margin was 14%.

Balance sheet

As of September 30, 2011 the Group's assets totaled $17.1 billion, a 7% increase compared to June 30, 2011, and a 23% increase compared to September 30, 2010. The key factors contributing to this increase were the consolidation of the recently acquired international rolling companies, as well as fixed asset value growth due to large-scale investments (in Q3 $607 million went towards fixed asset acquisition and construction).

Inventories grew (+53% to the beginning of Q3) following the consolidation of international rolling assets' working capital. This factor had a significant impact on the growth of current assets that totaled $5.6 billion (+17% to the beginning of Q3).

The Company has a significant amount of highly liquid assets with an aggregate of cash and cash equivalents and short-term investments standing at $0.9 billion as at September 30, 2011.

The Company's goodwill increased by $194 million to $728 million following the consolidation of the Steel Invest and Finance rolling assets.

Stockholders' equity at the end of the reporting period amounted to $10.1 billion, the change (-12% to June 30, 2011) being attributable to the increase of retained earnings, dividends paid to the Company shareholders, and the impact of exchange rate changes. The equity to total assets ratio was 59%, the reduction being attributable to the growth of liabilities following the consolidation of the recently acquired assets.

Current liabilities of the Group at the end of Q3 stood at $3.2 billion mostly representing financial debt: $2.1 billion in accounts payable and $1.0 billion in ST debt.

In Q3 the Company's financial debt increased by 46% to $3.8 billion following the consolidation of the acquired rolling assets. Long term debt accounted for 73% of the overall debt. Net debt as at the end of the reporting period was $2.9 billion (+95% to the beginning of the period). Net debt to EBITDA was 1.2.

Cash flow

Cash flow from operating activities

Cash flow from operating activities in Q3 2011 amounted to $658 million, x2.3 times quarter-on-quarter. This increase was largely driven by freeing up funds from working capital and the impact of cash flows associated with the recently acquired rolling assets.

Against 9M 2010 cash flow from operating activities in 9M 2011 grew 48% to $1,485 million. This increase is mostly related to improvements in the Company's financial performance and 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 increase of the debt leverage.

Cash flow from investing activities

Cash outflow from investing activities in Q3 2011 amounted to $329 million (-44% quarter-on-quarter), due mostly to capex totaling $607 million in Q3 (+16% quarter-on-quarter).

9M 2011 capex stood at $1,529 million (+55% year-on-year). This growth is largely attributable to significant investments associated with the construction of the new blast furnace and BOF equipment revamping at the Lipetsk site. Total net cash outflow from investing activities in 9M amounted to $1,134 million (-27% year-on-year).

Cash flow from financing activities

Net cash outflow from financing activities in Q3 2011 totaled $485 million (Q2 saw a net inflow of $288 million). This outflow was associated with 2010 dividends paid to shareholders, as well as $237 million in net credits and loans. 9M 2011 outflow totaled $305 million, determined by dividend payments ($247 million), cash inflow from the divestment of NTK ($313 million), and credit and loan transactions.

Cash and cash equivalents as at September 30, 2011 stood at $830 million. Inclusive of ST financial investments, the Company's highly liquid assets stand at $0.9 billion.

Steel segment*

$, million	Q3 2011**	Q2 2011**	Change, %	9M 2011	9M 2010	Change, %
Revenue from external customers	**1,965**	**2,355**	**-17%**	6,157	4,869	+26%
Revenue from intersegmental operations	**361**	**187**	**+93%**	654	270	+142%
Gross profit	**555**	**673**	**-18%**	1,730	1,696	+2%
Operating profit	**251**	**394**	**-36%**	918	1,082	-15%
Profit after income tax	**287**	**386**	**-26%**	953	1,105	-14%

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), DanSteel (a thick plates producer), NLMK Indiana (steel and flats producer), 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 9M 2011 reporting, NLMK Indiana and NLMK DanSteel, previously part of the Steel segment, were included into the Foreign Rolled Products segment.

The Steel segment companies (NLMK and Altai-Koks) produced 1.7 million tonnes of coke (moisture: 6%) in Q3, up 3% quarter-on-quarter, and 4.9 million tonnes in 9M, up 10% year-on-year.

During Q3 2011, the Steel segment companies produced 2.4 million tonnes of steel (+2% quarter-on-quarter), 0.9 million tonnes of commercial slabs (-11%) and 1.3 million tonnes of flat products (+9%). 9M output totaled 7.1 million tonnes of steel (+2% year-on-year), 2.9 million tonnes of commercial slabs, and 3.6 million tonnes of flats (+2%).

9M 2011 revenue from external customers amounted to $6,157 million, +26% year-on-year. This 2.4 times growth in revenue from external customers is associated with the delivery of semi finished products to the recently acquired international rolling assets that form a separate segment.

Operating profit amounted to $918 million (-15% year-on-year), the decrease being attributable to a significant rise in prices for raw materials and energy, as well as in other production expenses within the segment.

The quarterly analysis is based on the Segment's Q3 performance and the Q2 pro-forma results, including the Coke-chemical segment and excluding NLMK Indiana and NLMK DanSteel that have been made part of the Foreign Rolled Products segment starting from July 1, 2011. In Q3 revenue from external customers dropped 17% to 1,965 million, mainly due to lower sales prices for the segment's products. Higher in-house sales of semi finished products following the consolidation of Steel Invest and Finance rolling assets served as an additional factor in the reduction of external revenues. As a result, revenue from intersegmental operations grew 93% to $361 million.

Weaker market conditions, higher prices for raw materials and the changes in the US$ rate lead to the segment's lower profits.

**Quarterly analysis is not presented for the Steel segment due to changes in the structure of segment reporting within NLMK's 9M 2011 consolidated reporting compared to previous periods.*

*** management data*

As part of the consolidation of Steel Invest and Finance rolling assets, the Group's segment reporting breakdown was adjusted (see Note #12 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).*

Long products segment

$, million	Q3 2011[1]	Q2 2011	Change, %	9M 2011	9M 2010	Change, %
Revenue from external customers	299	336	-11%	895	629	+42%
Revenue from intersegmental operations	204	199	+2%	514	372	+38%
Gross profit	55	63	-12%	179	154	+16%
Operating profit	-1	4	-114%	10	31	-67%
Profit after income tax	56	-40	+38%	153	-131	+17%

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.

In Q3 2011 steel output was 0.3 million tonnes (-41% quarter-on-quarter), due to issues with a transformer at one of NSMMZ's EAFs. The segment produced 0.3 million tonnes of long products (-18%), and 0.07 million tonnes of metalware (+3%). Total Q3 2011 volumes of the companies' scrap sales amounted to 1.0 million tonnes, almost entirely sold within the Group.

In 9M 2011 the segment companies produced 1.2 million tonnes of steel (in line with 9M 2010), 0.07 million tonnes of billets (-56%), 1.0 million tonnes of long products (+17%), and 0.2 million tonnes of metalware (+16%).

Q3 revenue from external customers amounted to $299 million (-11% quarter-on-quarter). The result is attributable to lower sales volumes.

9M revenue from external customers totaled $895 million (+42%), supported by higher sales and prices. Operating profit was $10 million, 67% down year-on-year, driven by spiking purchasing scrap prices.

Mining segment

$, million	Q3 2011[1]	Q2 2011[1]	Change, %	9M 2011	9M 2010	Change, %
Revenue from external customers	92	36	+157%	148	61	+144%
Revenue from intersegmental operations	293	364	-20%	931	605	+54%
Gross profit	292	307	-5%	809	433	+87%
Operating profit	268	282	-5%	746	389	+92%
Profit after income tax	279	223	+25%	662	309	+115%

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 Q3 Stoilensky, the principal mining company within the Group, produced 3.5 million tonnes of iron ore concentrate (+1% quarter-on-quarter) and 0.4 million tonnes of sinter ore (in line with Q2). In 9M Stoilensky produced 9.9 million tonnes of iron ore concentrate (+10% year-on-year) and 1.3 million tonnes of sinter ore (-1%). The increase in iron ore concentrate output occurred after the launch of the additional 2 mtpy beneficiation section in Q2.

Q3 2011 operating profit amounted to $268 million (-5% quarter-on-quarter), the decrease being due largely to lower iron ore prices. 9M 2011 operating profit grew 92% year-on-year to $746 million.

Profit growth was driven by higher sales volumes and prices for the segment's products supported by a modest growth of total production costs. The Q3 cash cost per tonne of concentrate was approximately $20.

Foreign Rolled Products segment*

$, million	9M 2011	9M 2010	Change, %	Q3 2011**
Revenue from external customers	1,475	525	x2.8-fold	978
Revenue from intersegmental operations	0	0		0
Gross profit	-38	15		-72
Operating profit	-175	-14	x12-fold	-187
Profit after income tax	-171	-32	x5.4-fold	-169

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), flats producers. This segment also includes NLMK Indiana and NLMK DanSteel, previously part of the Steel segment.

In Q3 2011 the segment produced 0.2 million tonnes of steel (+35% quarter-on-quarter), 1.0 million tonnes of rolled products (x4.1 times higher quarter-on-quarter), including 0.2 tonnes of plates (+141%). Slab deliveries from the Lipetsk site intended for processing by the assets of the segment amounted to 0.4 million tonnes; the remaining semifinished products were acquired from third party suppliers.

9M 2011 revenues from external customers totaled $1,475 million (+181% quarter-on-quarter). The significant year-on-year increase is attributable to Steel Invest and Finance rolling asset performance being included into the reporting period results. The results of the Segment companies were significantly below historical levels due to pressure from the consumer slowdown in Europe between July and September and poor market conditions. The Segment’s operating performance was also restrained by high prices for slabs supplied by the Parent company in Q2 (at the peak of 2011 prices) that, given the 2-3 month production cycle, were processed and sold as finished products during the August-September period of low prices. SIF’s gross loss in 9M amounted to $38 million; operating loss totaled $175 million.

**Quarterly analysis is not presented for the Steel segment due to changes in the structure of segment reporting within NLMK’s 9M 2011 consolidated reporting compared to previous periods.*

As part of the consolidation of Steel Invest and Finance rolling assets, the Group’s segment reporting breakdown was adjusted (see Note #12 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)*

*** management data*

The full version of the US GAAP 9M 2011 financial statements is available on the Company's website at www.nlmk.com.

Reference information

Documents

(1) NLMK Group US GAAP 9M 2011 financial statements

(2) US GAAP 9M 2011 financial and operating results presentation

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About NLMK Group

NLMK is one of the world's leading producers of steel with 2010 revenue of $8.4 billion. In 2010 the Company produced 11.5 m tonnes of steel. NLMK production facilities located in Russia, the EU and US 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 2010 NLMK delivered its products to customers from over 70 countries.

NLMK shares are traded in Russia on MICEX and RTS, and, in the form of GDRs, on the London Stock Exchange.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS	Note	As at September 30, 2011	As at December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents		830,031	747,979
Short-term investments		58,853	422,643
Accounts receivable and advances given, net		1,693,607	1,259,596
Inventories, net		2,939,463	1,580,068
Other current assets		69,132	51,994
Deferred income tax assets		53,013	43,069
		5,644,099	**4,105,349**
Non-current assets			
Long-term investments		8,523	687,665
Property, plant and equipment, net		10,275,196	8,382,478
Intangible assets, net		172,753	181,136
Goodwill		727,928	494,654
Deferred income tax assets		245,177	21,387
Other non-current assets		10,438	26,356
		11,440,015	**9,793,676**
Total assets		**17,084,114**	**13,899,025**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities		2,098,176	1,107,434
Short-term borrowings		1,030,852	525,559
Current income tax payable		33,834	18,803
		3,162,862	**1,651,796**
Non-current liabilities			
Deferred income tax liability		705,250	400,601
Long-term borrowings		2,790,963	2,098,863
Other long-term liabilities		353,207	193,951
		3,849,420	**2,693,415**
Total liabilities		**7,012,282**	**4,345,211**
Commitments and contingencies		**-**	**-**
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at September 30, 2011 and December 31, 2010		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		306,391	98,752
Accumulated other comprehensive loss		(1,390,631)	(916,901)
Retained earnings		10,945,204	10,261,214
		10,092,404	**9,674,505**
Non-controlling interest		**(20,572)**	**(120,691)**
Total stockholders' equity		**10,071,832**	**9,553,814**
Total liabilities and stockholders' equity		**17,084,114**	**13,899,025**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Revenue	**8,675,117**	**6,084,636**
Cost of sales		
Production cost	(5,617,718)	(3,457,088)
Depreciation and amortization	(459,988)	(357,160)
	(6,077,706)	**(3,814,248)**
Gross profit	**2,597,411**	**2,270,388**
General and administrative expenses	(365,567)	(202,626)
Selling expenses	(690,591)	(517,319)
Taxes other than income tax	(117,781)	(90,005)
Operating income	**1,423,472**	**1,460,438**
Loss on disposals of property, plant and equipment	(23,234)	(17,919)
Gains / (losses) on investments, net	68,981	(10,384)
Interest income	19,852	34,313
Interest expense	-	(23,871)
Foreign currency exchange gain / (loss), net	44,834	(53,615)
Other income, net	3,948	13,177
Income before income tax	**1,537,853**	**1,402,139**
Income tax expense	(400,047)	(301,517)
Income, net of income tax	**1,137,806**	**1,100,622**
Equity in net earnings / (net losses) of associates	54,048	(18,862)
Net income	**1,191,854**	**1,081,760**
Add: Net loss attributable to the non-controlling interest	**12,309**	**24,736**
Net income attributable to NLMK stockholders	**1,204,163**	**1,106,496**
Income per share – basic and diluted:		
Net income attributable to NLMK stockholders per share (US dollars)	0.2009	0.1846
Weighted-average shares outstanding, basic and diluted (in thousands) **шибка!**	5,993,227	5,993,227

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS		For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**1,191,854**	**1,081,760**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		459,988	357,160
Loss on disposals of property, plant and equipment		23,234	17,919
(Gains) / losses on investments, net		(68,981)	10,384
Equity in (net earnings) / net losses of associates		(54,048)	18,862
Deferred income tax expense		34,284	27,783
Losses / (gains) on unrealized forward contracts		4,819	(3,230)
Other, net		91,913	10,219
Changes in operating assets and liabilities			
Decrease / (increase) in accounts receivable		23,118	(283,986)
Increase in inventories		(489,604)	(438,261)
Decrease / (increase) in other current assets		11,116	(4,309)
Increase in accounts payable and other liabilities		244,176	195,072
Increase in current income tax payable		13,080	17,271
Net cash provided by operating activities		**1,484,949**	**1,006,644**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases and construction of property, plant and equipment		(1,528,985)	(983,324)
Proceeds from sale of property, plant and equipment		15,958	14,693
Purchases of investments and placement of bank deposits		(270,589)	(730,798)
Withdrawal of bank deposits, proceeds from sale of other investments and loans settled		691,308	147,736
Prepayment for acquisition of interests in new subsidiaries net of cash acquired of $112,806	шибка!	(41,751)	-
Net cash used in investing activities		**(1,134,059)**	**(1,551,693)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		829,950	819,647
Repayment of borrowings and notes payable		(1,171,552)	(673,877)
Capital lease payments		(29,805)	(36,734)
Proceeds from disposal of assets to the company under common control	шибка!	313,246	-
Dividends to shareholders		(247,286)	(42,965)
Net cash provided by / (used in) financing activities		**(305,447)**	**66,071**
Net increase / (decrease) in cash and cash equivalents		**45,443**	**(478,978)**
Effect of exchange rate changes on cash and cash equivalents		36,609	11,861
Cash and cash equivalents at the beginning of the year		747,979	1,247,048
Cash and cash equivalents at the end of the period		**830,031**	**779,931**

Appendices (see next page)

EBITDA

$ million	9M 2011	9M 2010	Q3 2011	Q2 2011
Net profit attributable to NLMK shareholders	1,204	1,106	225	587
Minus:				
Equity in net profit / (losses) of associate	54	-19	1	38
Net interest income	20	10	1	9
Income tax	-400	-302	-148	-144
Loss on disposal of fixed asset	-23	-18	-1	-16
Impairment losses	0	0	-1	0
Depreciation and amortization	-460	-357	-201	-135
Net foreign currency exchange	45	-54	14	8
Gains (losses) from financial Investments	69	-10	82	-10
Other expenses	0	0	0	0
EBITDA including roll-back effect	1,900	1,856	478	837
Effect from unrealized profit adjustment related to slab sales to Steel Invest and Finance in Q2			59	(59)
EBITDA without roll-back effect			537	778

(1) Sales by region in 2010-2011

Region	9M 2011	9M 2010	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Russia	3,214	2,681	1,116	1,126	979	1,023	1,054	887
EU	2,304	2,375	676	997	632	663	663	872
Middle East incl. Turkey	1,264	1,434	473	324	467	482	455	401
North America	1,257	1,193	594	313	350	189	503	476
Asia and Oceania	507	694	202	130	176	508	223	159
Other regions	776	331	361	246	168	155	123	117
TOTAL	9,323	8,709	**3,421**	**3,136**	**2,773**	**3,022**	**3,021**	**2,912**

(in '000 tonnes)

(3) Sales by products in 2010-2011

(in '000 tonnes)

Product type	9M 2011	9M 2010	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Pig iron	**514**	505	**229**	132	153	77	173	238
Slabs	**2,442**	2,723	**571**	1,156	715	1 112	889	825
Hot-rolled thick plates	**454**	253	**244**	106	103	95	84	103
Hot-rolled steel	**2,073**	1,889	**915**	504	655	535	632	612
Cold-rolled steel	**1,222**	1,185	**504**	371	348	342	356	422
Galvanized steel	**576**	404	**313**	124	139	172	161	152
Pre-painted steel	**372**	246	**144**	123	105	86	90	87
Transformer steel	**173**	141	**62**	55	55	57	55	48
Dynamo steel	**214**	187	**60**	76	77	81	78	67
Billets	**91**	167	**10**	29	52	96	73	63
Long products	**1,006**	842	**299**	389	318	316	367	238
Metalware	**193**	167	**70**	71	52	52	62	57
Total	**9,329**	8,709	**3,421**	**3,136**	**2,773**	**3,022**	**3,021**	**2,912**

(4) Revenue by region, 9M 2011

Region	Q3 2011*		Q2 2011*		9M 2011*	
	$ million	Share, %	$ million	Share, %	$ million	Share, %
Russia	1,308	39%	1,227	41%	3,561	41%
EU	878	26%	783	26%	2,137	25%
Middle East incl. Turkey	361	11%	237	8%	965	11%
North America	266	8%	338	11%	825	10%
Asia and Oceania	168	5%	190	6%	471	5%
Other regions	353	11%	208	7%	717	8%
TOTAL	**3,334**	**100%**	**2,982**	**100%**	**8,675**	**100%**

*based on management data, could differ from consolidated reporting data

(5) Working capital

$ million	**30.09.2011**	30.06.2011	31.03.2011	31.12.2010	30.09.2010	30.06.2010	31.03.2010
Current assets	**5,644**	**4,811**	**4,438**	**4,105**	**4,372**	**4,150**	**4,091**
Cash and cash equivalents	830	911	977	748	780	953	1,157
Short term investments	59	202	265	423	726	465	424
Accounts receivable	1, 694	1,669	1,295	1,260	1,189	1,213	1,065
Inventories	2,939	1,923	1,784	1,580	1,564	1,401	1,324
Other current assets, net	122	106	116	95	114	117	120
Current liabilities	**3,163**	**2,141**	**1,831**	**1,652**	**1,802**	**1,640**	**1,533**
Accounts payable	2,098	1,535	1,252	1,107	1,171	1,058	963
Short-term debt	1,031	544	553	526	595	539	544
Other current liabilities	34	62	26	19	36	43	26
Working capital	**2,481**	**2,670**	**2,607**	**2,454**	**2,570**	**2,510**	**2,558**

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