

Press-release

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NLMK

NLMK Q2 2011 Trading Update

NLMK, the LSE-listed leading Russian steel producer, today announces the following regular trading update for Q2 2011.

Q2 2011 Operating Highlights¹

- Production*, Q2 2011²

- Crude steel: 3.0 million tonnes (+3.1% quarter-on-quarter (hereinafter))
- Finished products: 2.9 million tonnes (+3.7%)

- Sales, Q2 2011

- Finished products: 3.0 million tonnes (+10.9%), including
 - Slabs: 1.1 million tonnes (+55.6%)
 - Flat products: 1.4 million tonnes (-8.4%)
 - Billets: 0.02 million tonnes (-46.9%)
 - Long products: 0.4 million tonnes (+15.7%)
 - Metalware: 0.07 million tonnes (+38.1%)

Outlook

In Q3 we expect the Group's operating performance to improve significantly, due to the consolidation of Steel Invest and Finance rolling assets starting from July 1. The share of high value added products is expected to grow materially.

Q2 financial performance is expected to improve further, driven by higher prices and sales volumes. Revenues, according to preliminary estimates, will increase 24% to \$2.9 billion. EBITDA margin will be in the range of 25-30%.

Disclaimer:

This announcement may contain a number of forward-looking statements relating to, among others, the financial condition and results of operations of the Company. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by them and are based on assumptions regarding the Company's present and future business strategies and the environment in which the Company and its subsidiaries operate both now and in the future. Forward-looking statements speak only as at the date of this announcement and save as required by applicable legal and/or regulatory requirements the Company expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements.

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

NLMK

Investor relations
18 Bakhrushina ul., bldg 1
115054, Moscow
Russia

Tel: +7 495 9151575
Fax: +7 495 9157904
Email: ir@nlmk.com
www.nlmk.com

Sales volumes²**NLMK Group:**

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Pig iron</i>	0.132	0.153	0.238	-13.6%	-44.6%
<i>Slabs</i>	1.113	0.715	0.825	55.6%	34.8%
<i>Flats</i>	1.356	1.481	1.480	-8.4%	-8.4%
<i>Billets</i>	0.024	0.045	0.063	-46.9%	-62.3%
<i>Long products</i>	0.367	0.317	0.238	15.7%	54.1%
<i>Metalware</i>	0.071	0.052	0.057	38.1%	25.4%
<i>Total steel products</i>	3.062	2.762	2.901	10.9%	5.6%

Novolipetsk (NLMK's main production site in Lipetsk)

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Pig iron</i>	0.195	0.098	0.196	98.5%	-0.9%
<i>Slabs</i>	1.272	0.739	0.930	72.0%	36.8%
<i>Hot-rolled steel³</i>	0.430	0.509	0.494	-15.5%	-13.1%
<i>Cold-rolled steel</i>	0.383	0.356	0.424	7.6%	-9.6%
<i>Hot-dip galvanized steel</i>	0.124	0.140	0.150	-10.9%	-17.2%
<i>Pre-painted steel</i>	0.123	0.105	0.085	16.7%	44.4%
<i>Dynamo steel</i>	0.076	0.075	0.070	1.3%	8.3%
<i>Transformer steel</i>	0.011	0.014	0.010	-17.7%	17.6%
<i>Total steel products</i>	2.614	2.036	2.359	28.4%	10.8%

DanSteel A/S

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Heavy plates</i>	0.106	0.103	0.103	2.3%	3.0%

NLMK Indiana

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Hot-rolled steel</i>	0.139	0.170	0.158	-18.1%	-12.0%
<i>Slabs</i>	0.008	0.009	0.009	-8.9%	-14.0%

VIZ-Stal

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Transformer steel</i>	0.040	0.042	0.045	-4.5%	-12.4%

Stoilensky

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Iron ore concentrate</i>	3.462	2.883	2.991	20.1%	15.7%
<i>Sinter ore</i>	0.440	0.414	0.455	6.3%	-3.4%

Altai-Koks

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Coke (dry)</i>	0.931	0.848	0.845	9.8%	10.1%

Long Products Division⁴

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
<i>Billets</i>	0.025	0.052	0.052	-52.0%	-51.7%

Rebar	0.338	0.285	0.212	18.6%	59.5%
Wire rod	0.042	0.043	0.015	-2.1%	186.4%
Metalware	0.071	0.052	0.057	38.1%	25.4%
Ferrous and nonferrous scrap⁵	0.990	0.562	0.825	76.1%	20.0%

¹ Q2 2011 production and sales data is preliminary and subject to further update

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

³ Including hot-rolled pickled steel

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

⁵ Including sales of NSMMZ

MANAGEMENT COMMENTS

NLMK Group operating review

NLMK Group's steel production in Q2 2011 amounted to 3.0 million tonnes (+3% quarter-on-quarter). The Group's steelmaking facilities were running at about 97% (around 99% at the Lipetsk production site; 91% at the Long Products Division).

The Group's Q2 2011 total sales also amounted to 3.0 million tonnes, up 11% quarter-on-quarter and 5.6% year-on-year.

Supported by seasonally stronger market conditions the Company increased its sales across basically all its subsidiaries, e.g. the main production site in Lipetsk improved its sales by 28%.

Sales of slabs to rolling assets further increased as demand for finished steel improved. Slab sales to Steel Invest and Finance (SIF, consolidated into NLMK Group starting from 1 July 2011) doubled to c.0.7 million tonnes (over 50% of the Group's total volume).

NLMK continued to grow its domestic sales. Their share amounted to 37% (+1 p.p. quarter-on-quarter) driven by the seasonal growth in demand from construction and machine-building companies.

Novolipetsk (main production site in Lipetsk)

Crude steel output in Q2 amounted to 2.4 million tonnes, +3%, driven by seasonal improvements in demand both in the domestic and export markets.

Slab sales were up 72%, due mostly to higher sales volumes to SIF's European rolling assets.

Production and sales of salable HRC contracted slightly due to both increased sales of slabs and finished flat products output.

Sales of value added products (starting from cold-rolled steel and on), mostly marketed domestically, grew 4% to 717,000 tonnes. Pre-painted steel sales increased by 17% driven by better demand from the construction and white goods sectors supported by the pre-painted steel capacity growth after the launch of the new 3rd pre-painting line in March 2011.

Dynamo steel sales increased to 76,000 tonnes (+1% quarter-on-quarter), deliveries of transformer steel reduced by 3,000 tonnes to 11,000 tonnes which is partially explained by the delay of recognition in export sales.

DanSteel A/S

As a result of better market conditions in Q2, plate sales increased to 106,000 tonnes (+2% quarter-on-quarter).

Heavy plate prices continue to rise.

NLMK Indiana

Q2 hot-rolled steel production amounted to 139,000 tonnes, a decrease of 21%. This was mainly impacted by the Strip Mill repair and maintenance works. Q2 sales declined 18%.

Sales prices rose by an average 20% quarter-on-quarter.

VIZ-Stal

Demand for transformer steel remained stable, with an improvement in export markets in May-June. The output of transformer steel in Q2 was mainly flat quarter-on-quarter at 42,400 tonnes (+1%).

A 5% reduction in sales was explained by the delay in recognition of export sales. In the

second half of the quarter there was an increase in export sales that will be partly reflected in Q3 results.

Prices for transformer steel remained stable (+1% quarter-on-quarter).

Stoilensky

Stoilensky's iron ore output trends largely reflect the utilization rates at Novolipetsk. Commissioning of the new Beneficiation Section #4 (at starting-up mode of production) resulted in an 18% quarter-on-quarter increase of iron ore concentrate output to 3.5 million tonnes. Equipment upgrades also lead to an increase in sinter ore output reaching 0.4 million tonnes, +5%.

In Q2 iron ore concentrate and sinter ore sales grew to 3.5 million tonnes (+20%) and 0.4 million tonnes (+6%) respectively.

Iron ore prices have been growing steadily since the start of the year (+7% quarter-on-quarter).

Altai-Koks

Q2 coke output and sales grew by 12% and 10% respectively, mostly driven by improved utilization rates at Novolipetsk, as well as by increased coke export sales.

The average coke prices increased by 4% quarter-on-quarter.

Long Products Division

The Division was able to increase its sales volumes due to seasonal improvements in demand from the construction sector.

Rebar and metalware sales grew 19% and 38% respectively, driven by higher utilization rates at Berezovsky's Rolling Mill 150 (launched late last year).

Long steel prices remained relatively stable throughout Q2.

In Q3, we expect steel product sales to remain flat quarter-on-quarter.

Moreover, Q2 saw a significant increase (almost two-fold quarter-on-quarter) in scrap processing and sales volumes, supported by improved demand for winter stocking, as well as by the seasonal improvement in scrap availability.

Steel Invest and Finance rolling assets*

The utilization rates at Steel Invest and Finance were sequentially flat at 60-70%.

In Q2 demand from key consuming sectors remained stable, positively impacting Q2 sales which grew by 2% to 884,000 tonnes. Average selling prices demonstrated positive dynamics during the quarter.

For more information:

NLMK

Investor Relations:

+7 (495) 915-1575

e-mail: ir@nlmk.com

* - Steel Invest and Finance rolling assets' operating and financial results will be consolidated on NLMK Group's Financial Statement in H2 2011.

Appendix

NLMK Group production volumes Q2 2011⁶:

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
Pig iron	2.343	2.161	2.325	8.4%	0.7%
Crude steel	2.996	2.905	2.882	3.1%	3.9%
Salable pig iron	0.195	0.078	0.230	148.6%	-15.4%
Salable slabs	0.898	0.816	0.861	10.1%	4.3%
Flat steel	1.400	1.501	1.425	-6.8%	-1.7%
Billets	0.025	0.041	0.089	-39.2%	-71.9%
Long steel	0.357	0.350	0.283	2.1%	26.1%
Metalware	0.070	0.053	0.057	33.7%	24.3%
Total steel products	2.945	2.839	2.945	3.7%	0.0%

Novolipetsk production volumes in Q2 2011:

Million, t	Q2 2011	Q1 2011	Q2 2010	Q2 11/ Q1 11	Q2 11/ Q2 10
Pig iron	2.343	2.161	2.325	8%	0.7%
Crude steel	2.365	2.294	2.271	3%	4.1%
Salable slabs	1.062	0.910	0.991	17%	7.2%
Hot-rolled steel⁷	0.453	0.516	0.447	-12%	1.3%
Cold-rolled steel	0.378	0.360	0.380	5%	-0.4%
Hot-dip galvanized steel	0.132	0.141	0.151	-7%	-12.8%
Pre-painted steel	0.124	0.104	0.088	19%	41.1%
Dynamo steel	0.068	0.082	0.071	-17%	-3.3%
Transformer steel	0.013	0.014	0.010	-1%	32.7%

⁶ Excluding inter-group operations⁷ Including hot-rolled pickled steel