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## NLMK Q1 2011 Trading Update

NLMK, the LSE-listed leading Russian steel producer, today announces the following regular trading update for Q1 2011.

### Q1 2011 Operating Highlights <sup>1</sup>

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#### - Production\*, Q1 2011<sup>2</sup>

- Crude steel: 2.9 million tonnes (-2.8% quarter-on-quarter (hereinafter))
- Finished products: 2.8 million tonnes (-6.9%)

#### - Sales, Q1 2011

- Finished products: 2.8 million tonnes (-8.7%), including
  - Slabs: 0.7 million tonnes (-35.4%)
  - Flat products: 1.5 million tonnes (+6.1%)
  - Billets: 0.05 million tonnes (-52.4%)
  - Long products: 0.3 million tonnes (+4.4%)
  - Metalware: 0.05 million tonnes (+1.4%)

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## Outlook

Q1 2011 revenue is expected to reach about \$2.4 billion, and Q1 2011 EBITDA margin is estimated to be in range of 20-25%.

In Q2 2011 we anticipate further growth in production volumes and an improvement in the sales mix towards an increased share of value added products. According to our preliminary estimates, increasing global raw material prices may help to sustain steel prices during the second quarter, which will remain flattish quarter-on-quarter with the possibility of growth in selected grades.

#### 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.

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

#### NLMK

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**Sales volumes<sup>2</sup>****NLMK Group:**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Pig iron</i>	0.153	0.077	0.094	98.2%	62.0%
<i>Slabs</i>	0.715	1.108	1.008	-35.4%	-29.1%
<i>Flats</i>	1.480	1.395	1.326	6.1%	11.6%
<i>Billets</i>	0.046	0.096	0.031	-52.4%	47.2%
<i>Long products</i>	0.345	0.331	0.236	4.4%	46.5%
<i>Metalware</i>	0.054	0.053	0.048	1.4%	11.7%
<i>Total sales products</i>	2.793	3.059	2.743	-8.7%	1.8%

**Novolipetsk (NLMK's main production site in Lipetsk)**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Pig iron</i>	0.098	0.147	0.134	-33.3%	-26.8%
<i>Slabs</i>	0.739	1.150	0.930	-35.7%	-20.5%
<i>Hot-rolled steel<sup>3</sup></i>	0.509	0.508	0.495	0.1%	2.9%
<i>Cold-rolled steel</i>	0.356	0.350	0.384	1.9%	-7.2%
<i>Hot-dip galvanized steel</i>	0.140	0.177	0.088	-21.3%	59.5%
<i>Pre-painted steel</i>	0.105	0.089	0.070	18.5%	49.5%
<i>Dynamo steel</i>	0.075	0.083	0.044	-9.9%	69.0%
<i>Transformer steel</i>	0.014	0.012	0.009	15.3%	53.7%
<i>Total sales products</i>	2.036	2.516	2.154	-19.1%	-5.5%

**DanSteelA/S.**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Heavy plates</i>	0.103	0.095	0.067	9.0%	55.3%

**NLMK Indiana**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Hot-rolled steel</i>	0.170	0.113	0.141	50.2%	20.5%
<i>Slabs</i>	0.009	0.011	0.016	-22.6%	-45.8%

**VIZ-Stal**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Transformer steel</i>	0.042	0.044	0.026	-4.8%	60.5%

**Stoilensky**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Iron ore concentrate</i>	2.883	3.046	2.935	-5.4%	-1.8%
<i>Sinter ore</i>	0.414	0.459	0.383	-9.6%	8.2%

**Altai-Koks**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Coke (dry)</i>	0.848	0.866	0.841	-2.1%	0.8%

**Long Products Division<sup>4</sup>**

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<i>Billets</i>	0.035	0.085	0.025	-59.0%	39.3%

<b>Rebar</b>	0.259	0.222	0.186	16.9%	39.5%
<b>Wire rod</b>	0.096	0.109	0.055	-11.6%	75.8%
<b>Metalware</b>	0.054	0.053	0.048	1.4%	11.7%
<b>Ferrous and nonferrous scrap<sup>5</sup></b>	0.590	0.853	0.419	-30.8%	40.8%

<sup>1</sup> Q1 2011 production and sales data is preliminary and subject to further update

<sup>2</sup> Excluding inter-group operations and including sales of trading companies

<sup>3</sup> Including hot-rolled pickled steel

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

<sup>5</sup> Including sales of NSMMZ

## MANAGEMENT COMMENTS

### NLMK Group operating review

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NLMK Group's steel production in Q1 2011 amounted to 2.9 million tonnes (-2.8% quarter-on-quarter), a reduction which can be attributed to scheduled repair works. The Group's steelmaking facilities were running at about 97% (98% at the Lipetsk production site; 92% at the Long Products Division; and 90% at NLMK Indiana).

The Group's Q1 2011 total sales amounted to 2.8 million tonnes, down 8.7% quarter-on-quarter and up 1.8% year-on-year.

Flat products sales grew by 6% quarter-on-quarter\* supported by improved demand from the main export markets (Europe, Middle East and South East Asia) and local markets backed by consumers' restocking before the seasonal price growth. Sales of long products grew by 4.4% driven mainly by improved product offering and expanded finished steel capacity after the launch of the new rolling facility in Berezovskiy.

In Q1 the Company increased finished steel output at the expense of slabs offered to third parties as sales of finished steel were more profitable. This factor coupled with a delay in recognition of export sales predetermined a 35% reduction in slab sales during the quarter. The sales of slabs to Steel Invest and Finance (the NLMK and Duferco JV) were flat quarter-on-quarter totaling 322,000 tonnes whilst deliveries to DanSteel increased to 94,000 tonnes (+67%) driven by improved demand from the European thick plates market.

### Novolipetsk (main production site in Lipetsk)

Crude steel production amounted to 2.3 million tonnes, a 4% reduction quarter-on-quarter due to scheduled repair and maintenance.

Q1 sales were 19% lower. This decline in sales can be attributed to a reduction in sales of ordinary grades due to lower crude steel production, whilst finished steel output remained at high levels.

Sales of flat steel remained stable despite a seasonal weakness in demand in the local market. A slight reduction in domestic sales was offset by increased exports. Galvanized steel sales were lower due to, among other factors, increased sales in pre-painted steel (as galvanized sheet is used in the pre-painted steel manufacturing). Pre-painted steel sales grew by 18.5% driven by increased activity from clients in the construction sector.

### DanSteelA/S

In Q1 2011 market conditions for thick plates improved markedly. This was the key factor behind a 9% growth in thick plate sales which reached 103,000 tonnes. On a year-on-year basis, sales grew by impressive 55% driven by significant improvements in market conditions. Prices for thick plates have increased slightly and this trend continued in Q2.

### NLMK Indiana

The output of hot-rolled steel achieved a record level of 178,000 tonnes, representing a sequential growth of 53%.

Q1 2011 sales of HRC increased almost 1.5X driven by improved demand from pipe producers and service centers. Higher sales of special high carbon hot rolled steel grades to Farrell, a JV

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\* hereinafter figures refer to quarter-on-quarter dynamics if not stated otherwise

rolling facility, was an additional factor driving Q1 sales. The level of consumers' (including service centers') inventories remained low compared to historical ratios that allow the expectation of stabilizing market prices in Q2.

### **VIZ-Stal**

The output of transformer steel in Q1 was mainly flat quarter-on-quarter at 42,200 tonnes (+1%), supported by stable demand for the product in the beginning of 2011.

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 largely reflected in Q2 results.

Prices for transformer steel remained stable with tentative signs of improvement both in demand and prices in Q2.

### **Stoilensky**

Stoilensky's iron ore output trends largely reflect the utilization rates at Novolipetsk. The 5% reduction in output and sales mainly relates to repair and maintenance works at the Lipetsk site.

Iron ore prices have been growing steadily since the beginning of the year, reflecting higher demand from the main consumers.

### **Altai-Koks**

Coke output and sales were down by 4% and 2% respectively, corresponding to the run rate at Novolipetsk.

The growth of average coke prices in Q1 2011 relates to improved steel market conditions, and we expect improvement in operating performance in Q2 2011.

### **Long Products Division**

In Q1 2011 crude steel production decreased by 9%, a reduction mainly attributable to lower export sales of billets.

Finished steel production gradually improved with the sales of rebar increasing by 17%. This was mainly attributable to an improvement in market sentiment with customers restocking before the construction season starts. Sales of billets reduced by 59% as a result of increased rolling capacities. At the end of 2010 we launched a new rolling facility at Berezovkiy, an additional factor in the higher output of finished products. In the future the Company will be able to process 100% of billet output at its own rolling capacities.

During the quarter, prices demonstrated considerable improvement in both local and export markets.

Q2 2011 sales are expected to remain largely flat quarter-on-quarter. In Q2, as prices are in mild decline, we expect flat dynamics in pricing on a quarterly basis.

In Q1 2011 scrap sales declined, impacted by a seasonal slowdown in scrap collection during winter period.

### **Outlook**

According to our preliminary estimates Q1 2011 revenue will reach about \$2.4 billion and EBITDA margin will be in the range of 20-25%.

In Q2 2011 we've noticed some stabilization on the main markets. We do not expect significant changes in steel prices for both the local and export sales markets due in part to the seasonal growth in demand from our key consumers. High raw material prices will serve as an additional factor in maintaining steel prices.

We expect a sequential growth in Q2 sales volumes as market conditions improve.

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## Appendix

NLMK Group Q1 2011<sup>6</sup>:

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<b>Pig iron</b>	2.161	2.338	2.320	-7.6%	-6.8%
<b>Crude steel</b>	2.904	2.988	2.716	-2.8%	6.9%
<b>Salable pig iron</b>	0.078	0.147	0.132	-46.9%	-40.9%
<b>Salable slabs</b>	0.816	1.033	0.866	-21.0%	-5.8%
<b>Flat steel</b>	1.503	1.400	1.438	7.4%	4.5%
<b>Billets</b>	0.041	0.088	0.008	-53.2%	397.0%
<b>Long steel</b>	0.349	0.329	0.212	5.8%	64.2%
<b>Metalware</b>	0.053	0.053	0.049	-0.6%	8.4%
<b>Total sales products</b>	2.840	3.051	2.706	-6.9%	5.0%

Novolipetsk production volumes in Q1 2011:

Million, t	Q1 2011	Q4 2010	Q1 2010	Q1 11 / Q4 10	Q1 11 / Q1 10
<b>Pig iron</b>	2.161	2.338	2.320	-8%	-6.8%
<b>Crude steel</b>	2.294	2.382	2.312	-4%	-0.8%
<b>Salable slabs</b>	0.910	1.089	0.933	-16%	-2.5%
<b>Hot –rolled steel<sup>7</sup></b>	0.516	0.500	0.535	3%	-3.6%
<b>Cold-rolled steel</b>	0.360	0.340	0.416	6%	-13.5%
<b>Hot-dip galvanized steel</b>	0.141	0.178	0.115	-21%	22.8%
<b>Pre-painted steel</b>	0.104	0.086	0.083	21%	26.4%
<b>Dynamos steel</b>	0.082	0.080	0.051	3%	61.5%
<b>Transformer steel</b>	0.014	0.013	0.009	5%	52.4%

<sup>6</sup>Excluding inter-group operations<sup>7</sup>Including hot-rolled pickled steel