



NLMK Q4 2010 Trading Update

NLMK, the LSE-listed leading Russian steel producer, today announces the following regular trading update for Q4 2010.

FY2010 and Q4 2010 Operating Highlights¹

Production,* FY2010²

- Crude steel: 11.5 million tonnes (+8.8% year-on-year)
- Finished products: 11.6 million tonnes (+9.9%)

- Q4 2010

- Crude steel: 3.0 million tonnes (+0.9% quarter-on-quarter (hereinafter))
- Finished products: 3.0 million tonnes (+4.6%)

Sales, FY2010

- Finished products: 11.7 million tonnes (+10.8%)

- Q4 2010

- Finished products: 3.0 million tonnes (+0.4%), including
 - Slabs: 1.1 million tonnes (+24.6%)
 - Flat products: 1.4 million tonnes (-4.9%)
 - Billets: 0.1 million tonnes (+32.1%)
 - Long products: 0.3 million tonnes (-13.8%)
 - Metalware: 0.05 million tonnes (-16%)

Outlook

We anticipate that production volumes in Q1 2011 will be similar to Q4 2010, i.e. around 3.0 million tonnes. There is a visible recovery in demand in the beginning of the year, accompanied by rising prices for steel products, especially evident in export markets. This will allow the Company to improve its financial performance, both in terms of revenue and EBITDA.

According to our preliminary estimates, the Company's revenue in Q4 2010 will grow 4% to USD2.3 billion. EBITDA margin is expected to be in the region of 25%.

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

Sales volumes²**NLMK Group:**

Million, t	Q4 2010	Q3 2010	Q4 10 / Q3 10	Q4 2009	Q4 10 / Q4 09	2010	2009	2010 / 2009
<i>Pig iron</i>	0.077	0.173	-55.5%	0.233	-67.0%	0.582	0.559	4.1%
<i>Slabs</i>	1.108	0.889	24.6%	0.912	21.4%	3.831	3.443	11.3%
<i>Flats</i>	1.394	1.467	-4.9%	1.258	10.8%	5.664	4.910	15.4%
<i>Billets</i>	0.096	0.073	32.1%	0.083	15.6%	0.263	0.272	-3.4%
<i>Long products</i>	0.317	0.367	-13.8%	0.249	27.0%	1.158	1.207	-4.0%
<i>Metalware</i>	0.052	0.062	-16.0%	0.044	19.9%	0.219	0.188	16.6%
<i>Total sales products</i>	3.044	3.031	0.4%	2.779	9.5%	11.716	10.579	10.8%

Novolipetsk (NLMK's main production site in Lipetsk)

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
<i>Pig iron</i>	0.147	0.159	-7.7%	0.163	-9.6%	0.637	0.503	26.7%
<i>Slabs</i>	1.150	0.943	21.9%	1.047	9.8%	3.953	3.625	9.1%
<i>Hot-rolled steel³</i>	0.508	0.522	-2.6%	0.473	7.5%	2.020	1.935	4.4%
<i>Cold-rolled steel</i>	0.350	0.362	-3.4%	0.405	-13.7%	1.519	1.515	0.3%
<i>Hot-dip galvanized steel</i>	0.177	0.164	8.0%	0.103	73.0%	0.580	0.325	78.1%
<i>Pre-painted steel</i>	0.089	0.089	-0.8%	0.096	-7.7%	0.333	0.331	0.7%
<i>Dynamo steel</i>	0.083	0.069	19.7%	0.047	77.2%	0.267	0.160	67.3%
<i>Transformer steel</i>	0.012	0.010	17.9%	0.010	19.1%	0.040	0.032	27.2%
<i>Total sales products</i>	2.516	2.320	8.5%	2.343	7.4%	9.349	8.426	11.0%

DanSteel A/S

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
<i>Heavy plates</i>	0.095	0.084	13.1%	0.052	83.5%	0.348	0.219	58.9%

NLMK Indiana

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
<i>Hot-rolled steel</i>	0.113	0.150	-24.7%	0.101	12.1%	0.562	0.367	53.2%
<i>Slabs</i>	0.011	0.007	60.9%	0.010	13.6%	0.043	0.024	76.6%

VIZ-Stal

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
<i>Transformer steel</i>	0.044	0.038	13.6%	0.038	15.8%	0.154	0.101	52.2%

Stoilensky

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
<i>Iron ore concentrate</i>	3.046	3.051	-0.1%	2.941	3.6%	12.023	11.876	1.2%
<i>Sinter ore</i>	0.459	0.508	-9.6%	0.510	-10.0%	1.805	1.996	-9.6%

Altai-Koks

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
<i>Coke (dry)</i>	0.866	0.810	6.9%	0.785	10.3%	3.363	3.043	10.5%

Long Products Division⁴

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
<i>Billets</i>	0.075	0.091	-16.8%	0.066	14.3%	0.243	0.239	1.7%
<i>Rebar</i>	0.214	0.287	-25.5%	0.172	24.1%	0.856	0.896	-4.4%

Wire rod	0.100	0.078	27.8%	0.055	81.3%	0.289	0.223	29.2%
Metalware	0.052	0.062	-16.0%	0.044	19.9%	0.219	0.188	16.6%
Ferrous and nonferrous scrap⁵	0.876	1.037	-15.6%	0.605	44.8%	3.159	2.413	30.9%

¹ Q4 2010 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

Overview of NLMK Group's operating results

Q4 2010 overview

The Group's steelmaking facilities were running at practically full capacity (98%) in Q4, with a total output of 3.0 million tonnes of steel (+1% quarter-on-quarter). The utilization rates at our main production site in Lipetsk and the Long Products Division were 100%.

Sales volumes amounted to 3.0 million tonnes which is up 0.4% quarter-on-quarter and 9.5% year-on-year

The Group's total steel product sales amounted to 3.0 million tonnes of steel which is up 0.4% quarter-on-quarter and 9.5% year-on-year

Slab sales to Steel Invest and Finance (the NLMK and Duferco JV) amounted to 322,000 tonnes, in line with the previous quarter and our production plan.

Total slab sales increased by 25% quarter-on-quarter driven by improved demand in key export markets. Sales of high-value added products also picked up both in Russia (+8% for galvanized steel) and in export markets (up 4% for dynamo steel and +3% for transformer steel).

FY2010 overview

NLMK Group's steel production in FY2010 increased by 8.8% and amounted to 11.5 million tonnes, due mainly to increased output at the Lipetsk site. The utilization rate at the Group's steelmaking facilities was 97%, up 4 p.p. year-on-year.

Total steel product sales amounted to 11.7 million tonnes, an increase of 10.8% year-on-year. The Company's slab deliveries to the rolling facilities of Steel Invest and Finance ("SIF"), the NLMK and Duferco JV, continued to increase, reaching a total amount of 1.5 million tonnes in 2010, a 25% increase year-on-year on the back of a gradual recovery of demand in the EU market.

Novolipetsk

Novolipetsk (Lipetsk site)

Stable demand for steel products in Q4 allowed the Company to maintain peak capacity utilization rates at the Lipetsk production site, achieving a total steel output on 2.4 million tonnes.

Sales increased slightly quarter-on-quarter (+8.5%) and amounted to 2.5 million tonnes. Sales of high-value added products remained largely stable despite the seasonal slowdown in the internal market. Demand for galvanized steel remained strong in the domestic market, bringing sales up (+8%). Increased export deliveries explain higher dynamo steel sales (+20%). Q4 performance was significantly impacted by higher slab sales (+22%), driven by increased demand for semi-finished products on the back of the ongoing surge in liquid steel production costs in the world. A seasonal contraction in demand from our key consumers resulted in a slightly reduced amount of hot-rolled and cold-rolled steel export deliveries.

FY2010 sales volumes reached 9.3 million tonnes, up 11% year-on-year due to a significant recovery of demand for our key products both on the domestic and export markets. Production growth at the Lipetsk site was additionally supported by increased slab deliveries to DanSteel and SIF following a gradual recovery of demand in the European flat steel market.

Demand for steel in the Russian market recovered throughout the year. This allowed the Company to increase all flat steel product deliveries to the internal market, significantly improving the sales mix in favor of high value-added products: +67% for dynamo steel, +27% for transformer steel. Production output at the new Galvanising Line increased, driving galvanized steel deliveries up almost 80%.

<i>DanSteel A/S</i>	<p>DanSteel A/S</p> <p>Heavy plate production output increased by 18% in Q4, while sales grew by 13% compared to Q3, which was impacted by planned repairs. Sales growth was additionally supported by stable demand from the European machine-building industry.</p> <p>FY2010 heavy plate sales rose by 59% year-on-year to 0.35 million tonnes due to a partial recovery in demand from our key consumers.</p>
<i>NLMK Indiana</i>	<p>NLMK Indiana</p> <p>Repair activities resulted in lower quarter-on-quarter hot-rolled steel production and sales volumes in Q4. Slab sales increased (+61%) due to larger deliveries to Duferco Farrell (JV with Duferco). Overall conditions on the US flat steel market improved, driving prices for rolled steel up at the end of 2010. The trend persisted in the beginning of 2011.</p> <p>FY2010 saw a drastic improvement in operating performance against 2009 when the market was under significant pressure from unstable demand and high levels of steel product inventory in the US. Steel and rolled product output increased by 42% and 51% respectively on the back of recovering demand from the tube industry and service centers. Rolled product sales were up 53%.</p>
<i>VIZ-Stal</i>	<p>VIZ-Stal</p> <p>Transformer steel production in Q4 was in line with the previous quarter and amounted to 41,700 tonnes (-4%).</p> <p>Sales of products delivered in Q3 were recognized, driving sales up by 14% to 43,720 tonnes.</p> <p>Demand for transformer steel in the export markets stabilized, resulting in a noticeable surge in sales in 2010 compared to 2009. FY2010 sales volumes increased by 52% and totaled 153,500 tonnes.</p>
<i>Stoilensky</i>	<p>Stoilensky</p> <p>Q4 operating results were largely flat quarter-on-quarter given the stable operating performance of the main production site in Lipetsk, a key consumer of the Company. In the second half of the year the Company increased the sale of its products to Eastern European customers on the back of demand recovery in this region. Export sales during this period (July-December) increased to 106,000 tonnes of iron ore concentrate.</p> <p>On a year-on-year basis, production was up by 10% that, among other factors, is attributable to the launch of the new equipment at Stoilensky.</p>
<i>Altai-Koks</i>	<p>Altai-Koks</p> <p>In Q4, the Company's coke sales increased by 7% driven by growing sales to external customers including export sales.</p> <p>In 2010 coke production grew by 13% year-on-year.</p>
<i>Long Products Division</i>	<p>Long Products Division</p> <p>In Q4 the Division demonstrated solid operating results with stable production volumes that remained flat quarter-on-quarter (-1.7%). This performance was driven by sustained demand from the construction sector despite a routine slowdown during the winter season.</p> <p>Q4 sales were down 15% largely due to a decrease in export sales of ordinary grades coupled with the seasonally weak sales of metalware in the home market. This trend was influenced by seasonality factors.</p> <p>Q4 saw a contraction in scrap sales (-15.6% quarter-on-quarter), a traditional seasonal swing for scrap collecting companies as their peak deliveries typically occur during Q3 when steel companies are stocking up on scrap for the winter.</p>

FY2010 performance of the Long Products Division demonstrates a gradual recovery in the market underpinned by stabilization in the broader economy and growth in steel demand from the construction and infrastructure sectors. In 2010 the Division's production grew to 1.65 million tonnes (+1%), and sales increased to 1.61 million tonnes (+4%). Scrap sales were up by 31% driven by growing demand in the steel sector.

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Appendix

NLMK Group Q4 2010 production volumes⁶:

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
Pig iron	2.338	2.283	2.4%	2.374	-1.6%	9.265	8.476	9.3%
Steel	2.988	2.962	0.9%	2.886	3.5%	11.548	10.614	8.8%
Salable pig iron	0.147	0.139	6.4%	0.170	-13.4%	0.649	0.510	27.1%
Salable slabs	1.033	0.853	21.1%	1.019	1.4%	3.614	3.420	5.7%
Flat steel	1.400	1.446	-3.1%	1.300	7.7%	5.709	5.008	14.0%
Billets	0.088	0.060	46.1%	0.076	15.6%	0.247	0.269	-8.0%
Long steel	0.330	0.358	-7.9%	0.274	20.4%	1.184	1.177	0.6%
Metalware	0.053	0.061	-13.0%	0.043	23.8%	0.221	0.190	16.3%
Total sales products	3.052	2.917	4.6%	2.883	5.9%	11.623	10.573	9.9%

Novolipetsk (Lipetsk production site) steel production volumes in Q4 2010:

Million, t	Q4 2010	Q3 2010	Q410 / Q3 10	Q4 2009	Q410 / Q4 09	2010	2009	2010 / 2009
Pig iron	2.338	2.283	2%	2.374	-1.6%	9.265	8.476	9%
Steel	2.382	2.324	3%	2.352	1.3%	9.288	8.507	9%
Slabs	1.089	0.967	13%	1.084	0.5%	3.981	3.598	11%
Hot-rolled steel⁷	0.501	0.544	-8%	0.493	1.7%	2.027	2.023	0%
Cold-rolled steel	0.340	0.361	-6%	0.400	-15.0%	1.497	1.535	-3%
Hot-dip galvanized steel	0.178	0.159	12%	0.113	58.3%	0.604	0.350	72%
Pre-painted steel	0.086	0.082	5%	0.094	-8.5%	0.339	0.333	2%
Dynamo steel	0.080	0.074	8%	0.047	68.6%	0.275	0.162	70%
Transformer steel	0.013	0.010	32%	0.010	26.8%	0.041	0.029	43%

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