Press release

12 November 2010

NLMK Group Q3 2010 RAS Financial Results

Novolipetsk Steel (LSE: NLMK) today announces its Q3 2010 Russian Accounting Standards (RAS) financial results for its major companies[1].

Note: *Russian Accounting Standards (RAS) accounting results differ materially from US GAAP accounting results and are not comparable to financial statements prepared in accordance with US GAAP. Reference should be made only to consolidated financial statements prepared in accordance with US GAAP for information with respect to NLMK Group's financial condition and results of operations to be published in December 2010*

In Q3 2010 NLMK's major companies showed an overall year-on-year improvement in financial performance. NLMK (the main production site) and NSMMZ (the main Long Products Division company) reported revenue increases to RUR47.8 billion and RUR9.3 billion respectively, despite the Q3 2010 market downturn. These companies represent 98% of total Group steel production capacity. NLMK's main production site net profit increased by 18.43% quarter-on-quarter to RUR13.8 billion. NSMMZ's operating performance showed a positive trend driven by improved demand for long products that allowed the company to run at almost 100% capacity.

More detailed information on NLMK's main production site and its subsidiaries Q3 2010 Russian Accounting Standards (RAS) financial results is presented below.

Q3 2010 RAS Financial Results
('000 RUR, except for percentages)

Novolipetsk (Main Production Site)

	Q3 2010	Q2 2010	Q3 2009	Change, % Q3 2010/ Q2 2010	Change, % Q3 2010/ Q3 2009
Revenue	47 785 426	46 774 151	36 618 151	2.16%	30.50%
Gross profit	12 932 983	14 461 357	11 000 585	-10.57%	17.57%
Operating profit	8 002 040	9 540 943	6 570 719	-16.13%	21.78%
Net profit	13 841 724	11 688 153	5 551 138	18.43%	149.35%

[1] *VIZ-Stal, Stoilensky, NSMMZ (a main asset of Long Products Division), Altai-Koks, NTK*

VIZ-Stal

	Q3 2010	Q2 2010	Q3 2009	Change, % Q3 2010/ Q2 2010	Change, % Q3 2010/ Q3 2009
Revenue	2 400 949	2 840 815	3 249 602	-15.48%	-26.12%
Gross profit	771 419	980 404	1 678 012	-21.32%	-54.03%
Operating profit	562 022	768 879	1 520 248	-26.90%	-63.03%
Net profit	454 330	646 698	822 709	-29.75%	-44.78%

Stoilensky

	Q3 2010	Q2 2010	Q3 2009	Change, % Q3 2010/ Q2 2010	Change, % Q3 2010/ Q3 2009
Revenue	7 338 464	7 608 823	3 728 975	-3.55%	96.80%
Gross profit	5 277 245	5 606 554	1 996 704	-5.87%	164.30%
Operating profit	5 002 165	5 331 785	1 783 173	-6.18%	180.52%
Net profit	3 990 387	4 253 149	1 435 208	-6.18%	178.04%

NSMMZ [2]

	Q3 2010	Q2 2010	Q3 2009	Change, % Q3 2010/ Q2 2010	Change, % Q3 2010/ Q3 2009
Revenue	9 277 001	6 077 537	5 878 636	52.64%	57.81%
Gross profit	2 192 608	1 373 024	723 849	59.69%	202.91%
Operating profit	1 235 467	653 721	-30 759	88.99%	
Net losses	-190 065	-673 384	-973 805	-71.77%	-80.48%

[2] *NSMMZ is the main asset of the Long Products Division.*

Altai-Koks

	Q3 2010	Q2 2010	Q3 2009	Change, % Q3 2010/ Q2 2010	Change, % Q3 2010/ Q3 2009
Revenue	7 592 289	8 554 969	4 270 717	-11.25%	77.78%
Gross profit	1 891 574	3 180 518	1 367 905	-40.53%	38.28%
Operating profit	1 762 155	3 014 545	955 885	-41.54%	84.35%
Net profit	1 020 793	2 391 266	753 703	-57.31%	35.44%

NTK (Transportation Company)

	Q3 2010	Q2 2010	Q3 2009	Change, % Q3 2010/ Q2 2010	Change, % Q3 2010/ Q3 2009
Revenue	4 177 487	1 979 636	1 403 952	111.02%	197.55%
Gross profit	343 264	259 574	250 466	32.24%	37.05%
Operating profit	309 649	226 683	196 239	36.60%	57.79%
Net profit	242 214	182 583	166 887	32.66%	45.14%

Key Results

- **Lipetsk production site reports higher net profit**

The 2% quarter-on-quarter (q-o-q) and 31% year-on-year (y-o-y) revenue growth was mainly the result of higher realized prices and an increased share of high value added (HVA) products in the sales mix.

Gross profit increased by 18% y-o-y due to the significant growth of steel product prices but declined q-o-q due to higher production costs.

The net income q-o-q increase (+18%) is mainly attributable to foreign currency exchange gains. Y-o-y net income increased by 2.5 times due to the absence of one-off losses, as occurred last year.

- **Lower sales volumes for VIZ-Stal**

Revenue decreased by 15% q-o-q mainly as a result of lower sales volumes. The y-o-y revenue decrease of 26% was driven by a decline in electrical steel prices.

Lower gross profit q-o-q was also impacted by the rise in prices for hot-rolled steel that is used as substrate for electrical steel production. This product is supplied by the Lipetsk production site.

VIZ-Stal's net profit decreased mainly due to lower profit from its core business activities.

- **A slight reduction in Stoilensky's financial performance**

A reduction in iron ore prices was partially offset by higher sales volumes resulting in a 3.5% decrease in revenues q-o-q. The y-o-y revenue increase of 97%was led by higher sales prices for iron ore concentrate and sinter ore.

Lower revenues were the major factor in a 6% q-o-q gross profit reduction. The 164% y-o-y gross profit increase was mainly driven by higher sales revenues in 2010.

The lower q-o-q net profit was mostly due to the reduction in operating profit. The y-o-y net income increase of 178% was driven by higher sales prices for iron ore in 2010.

- **Higher sales and improved financial performance for NSMMZ**

The Company continued to increase its sales volumes both through long product deliveries to the domestic market and also by billet exports. The total growth of steel product sales amounted to 53% q-o-q which helped improve sales revenues, also by 53% q-o-q. The y-o-y revenue increase amounted to 58%.

Steel product prices were ahead of scrap prices driving the Company's gross profits up to 60% q-o-q. The y-o-y gross profit multiplied three-fold.

The Company's net losses are still determined by high debt leverage. Nonetheless, a strong operating performance allowed NSMMZ to significantly improve both its q-o-q and y-o-y financial results.

- **Higher net profit for Altai-Koks**

A slight reduction in sales prices resulted in an 11% q-o-q revenue decline at Altai-Koks. Y-o-y revenue growth of 78% was due to higher 2010 sales prices for coke-chemical products.

Gross profit declined by 40% q-o-q mainly driven by lower revenues and higher operating costs affected by higher coal prices. Nonetheless, the Company's gross profit increased by 38% y-o-y.

Lower product prices resulted in a decline in operating and net income by 42% and 57% q-o-q. As compared to the third quarter of the last year, these numbers grew by 84% and 35% y-o-y, respectively.

- **Better financial results for NTK**

In Q3 NTK's sales revenue more than doubled although gross profit did not mirror this trend. This is explained by a purchase/sales transaction being reflected in the financial statement of the entity: NTK acquired open wagons for the benefit of third parties at an auction in June 2010. NTK is currently using these wagons through an operating lease. We expect this will be an additional factor that may improve NTK's financial performance in Q4 2010.

Higher shipping volumes, using in-house rolling stock, coupled with a higher fleet load drove the company's gross profit up 32% q-o-q.

Optimization of the structure of the rail car fleet had an additional positive impact on NTK's Q3 financial performance.

NTK has reported sustainable y-o-y growth in financial performance. Operating and net income increased by 58% and 45% on a y-o-y basis respectively.

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