



NLMK

Press release

18 October 2012

NLMK Q3 2012 TRADING UPDATE

NLMK, the LSE-listed leading Russian steel producer, today announces its operational results for Q3 2012.

MANAGEMENT COMMENTS

In Q3, NLMK Group sales remained stable at 3.8 million tonnes (+0.2% q-o-q). NLMK grew its finished product sales in the domestic market to 1.283 million tonnes (+5% q-o-q), capitalising on demand from its key consumers, i.e. Russian construction and machine-building sectors. The share of domestic sales increased to 34% (+2 p.p.). As demand for flat steel in the export markets weakened, NLMK grew its slabs sales as these enjoyed stable demand.

In 9M 2012, NLMK Group produced 11.2 million tonnes of steel, up 24% y-o-y. Around 95% of all steel was produced domestically.

Outlook

In Q4, the Group's steel production is expected to remain unchanged at 3.8 million tonnes. NLMK Group confirms its previously announced steel production forecast for 12M 2012 at 15 million tonnes.

Q3 2012 operating highlights¹

- Production*

- Crude steel: 3.768 million tonnes (-1.9% q-o-q**);
- Finished products: 3.794 million tonnes (-6%)

- Sales

- Finished products: 3.826 million tonnes (+0.2%), including
 - Slabs: 0.977 million tonnes (+14%);
 - Flat steel: 2.185 million tonnes (-6.9%), including high-value added products: 1.271 million tonnes (-7%);
 - Long products and metalware: 0.457 million tonnes (-2.9%).

¹ All production and sales data for Q3 2012 is preliminary and is subject to adjustment.

* - Production data for NLMK Group and the Lipetsk site is presented in the Appendix

** - Hereinafter the comparison is done on quarter-on-quarter basis if not specified otherwise

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.

SALES VOLUMES²**NLMK Group:**

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Pig iron	0.207	0.142	0.229	46.1%	-9.7%
Slabs	0.977	0.858	0.561	14.0%	74.2%
Flats	2.185	2.348	2.224	-6.9%	-1.7%
Longs	0.457	0.471	0.369	-2.9%	23.9%
Total	3.826	3.818	3.393	0.2%	12.8%

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

NLMK Group operating review

NLMK Group's steel production in Q3 2012 totalled 3.768 million tonnes (-2% q-o-q). Steelmaking facilities of the Group operated at 96% capacity, including over 99% at Novolipetsk (hereinafter refers to the main production site in Lipetsk), 86% (+1 p.p.) at the Long Products Division, and approximately 77% at our international divisions (-12 p.p.).

Sales totalled 3.826 million tonnes (+0.2%). The share of slabs in total sales increased by 3 p.p. on the back of stronger demand for this product in the global market, and also due to the sale of slabs produced in the previous period. In Q3, slab shipments from Novolipetsk to the Group's own international rolling assets reached 0.5 million tonnes; in 9M 2012 they totalled 2 million tonnes.

NLMK Group's domestic sales increased on the back of stronger demand from our key consumers, i.e. construction and machine-building sectors. Sales within Russia grew 5% q-o-q to 1,283 million tonnes, or approximately 34% of total sales.

Export sales share decreased to 66% (-2 p.p.) of total sales as Russian assets decreased their flat steel sales to international markets, and the Group's foreign divisions faced a seasonal contraction in sales. NLMK Group's international rolling assets accounted for 24% (-6 p.p.) of the total steel product sales: 13% (-4 p.p.) for NLMK Europe and 11% (-2 p.p.) for NLMK USA.

The bulk of NLMK Group's export sales went to our traditional markets, i.e. Europe, the US, the Middle East, South-East Asia, and Central and South America.

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

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Pig iron	0.123	0.188	0.349	-34.7%	-64.9%
Slabs	1.481	1.583	0.991	-6.4%	49.4%
Hot-rolled steel ³	0.547	0.508	0.539	7.6%	1.4%
Cold-rolled steel	0.392	0.375	0.367	4.5%	6.8%
Hot-dip galvanised steel	0.134	0.131	0.146	2.6%	-8.4%
Pre-painted steel	0.138	0.131	0.130	5.4%	6.6%
Dynamo steel	0.073	0.072	0.059	1.1%	24.2%
Transformer steel	0.018	0.025	0.021	-25.6%	-12.4%
Total	2.906	3.012	2.602	-3.5%	11.7%

³Including hot-rolled pickled steel

In Q3, Novolipetsk's steel output reached 3.077 million tonnes, with the plant running at almost full capacity.

Sales totalled 2.906 million tonnes (-4% q-o-q). The share of flats in total sales increased by 5%, including by 3% for high-value added sales. Finished product sales grew, driven mostly by stronger demand in the domestic market, with the share of domestic sales increasing by 3 p.p. to 30%.

Slab sales decreased to 1.481 million tonnes (-6.4%). Approximately 34% of total slab sales were supplied to the Group's own rolling assets in Europe and the USA. In the future, NLMK is planning to supply approximately 100,000 tonnes of slabs per quarter to the domestic market.

Hot-rolled steel sales increased by 7.6% to 0.547 million tonnes. The share of hot-rolled steel sales in the domestic market totalled 64%, with key consumers being service centres and metal processing companies. 9% of produced hot-rolled steel was sold to one of the Group's subsidiaries, VIZ-Stal.

Cold-rolled steel sales increased by 4.5% to 0.392 million tonnes, with approximately 57% sold domestically, mostly to construction and steel processing companies, automotive and "white goods" manufacturers.

Hot-dip galvanised (HDG) and pre-painted steel sales increased by 2.6% and 5.4%, respectively, with the bulk sold domestically to the construction sector.

Sales of dynamo (non-grain oriented) and transformer (grain-oriented) steel totalled 73,000 tonnes and 18,000 tonnes, respectively. Approximately 22% of electrical steel was sold on the Russian market.

In Q3, average selling prices in USD terms decreased by 1-5%, depending on the product, as the weak demand in the international market had a negative impact on pricing in Russia and the CIS. Slab, hot-rolled, cold-rolled and HDG steel prices were down 4-5%. Pre-painted and electrical steel prices remained relatively stable.

VIZ-Stal

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Transformer steel	0.038	0.045	0.044	-16.3%	-13.4%

Transformer steel sales went down by 16% to 38,000 tonnes on the back of deteriorating market conditions. The bulk of the product was exported to our traditional sales markets, including the EU, North America, the Middle East (including Turkey), and South-East Asia. In Q4 we expect a mild increase in sales due to cyclical restocking.

In Q3, transformer steel output at the plant totalled 41,400 tonnes (-6% q-o-q).

Stoilensky

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Iron ore concentrate	3.313	3.493	3.460	-5.2%	-4.3%
Sinter ore	0.464	0.416	0.409	11.4%	13.4%

In Q3, beneficiation facilities (totalling 14 million tonnes per annum) were almost fully utilised with an output of 3.497 million tonnes of iron ore concentrate. Sinter ore output increased to 441,000 tonnes.

Sales of iron ore concentrate and sinter ore reached 3.313 million tonnes (-5% q-o-q) and 464,000 tonnes (+11% q-o-q), respectively. 78% of iron ore concentrate and 33% of sinter ore were sold to the main production site in Lipetsk.

In Q3, sales to the Lipetsk plant fell by 10% due to the larger share of by-product use in steel production and lower pig iron output after the July 2012 stoppage of Blast Furnace No. 2 (approximately 0.8 million tonnes per annum of pig iron capacity or c.5% of the Group's total). In Q4 we expect intersegment sales to recover to the normal levels.

Lower intersegmental sales were compensated by the growth in iron ore concentrate (+17%) and sinter ore (+16%) third party sales (including customers in Russia, China, E. Europe and Ukraine). Moreover, in the end of the third quarter the company shipped significant volumes of iron ore concentrate to export markets that will be recognized in Q4 sales.

Altai-Koks

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Coke (dry)	1.074	1.126	1.006	-4.6%	6.8%

Q3 coke output was 1.088 million tonnes (-2%), which still corresponds to an almost full capacity load of the 4.4 mtpa facility. Total coke output including the Lipetsk site production of 2.6 mtpa capacity was flat at 1.736 million tonnes, of which 85% was consumed internally.

Coke sales decreased by 5% to 1.074 million tonnes, of which around 76% (-9% q-o-q) was sold to the Lipetsk site. This decrease was due to lower pig iron output at the Lipetsk site. In Q4, we expect intersegmental sales to pick up driven by the seasonal stock build-up at the main site in Lipetsk.

External sales of coke increased by approximately 11% sequentially to 250,000 tonnes, with export sales representing 70%.

Long Products Division⁴

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Rebar	0.357	0.362	0.277	-1.5%	28.5%
Wire rod	0.022	0.034	0.025	-36.8%	-13.3%
Metalware	0.081	0.077	0.070	5.1%	14.9%
Ferrous and non-ferrous scrap⁵	1.052	0.951	0.968	10.6%	8.6%

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

⁵ Including sales to NSMMZ, a EAF-based steelmaking unit of over 2 mtpa capacity

In Q3, the Long Products Division produced 0.477 million tonnes (+2.5% q-o-q) of steel and 0.458 million tonnes (+2.9% q-o-q) of steel products, and its steelmaking and rolling capacities ran at approximately 86% (+1 p.p.) and 97% (+1 p.p.), respectively.

Production of rebar and metalware increased (+7% to 0,356 million tonnes and +4% to 80,000 tonnes, respectively), while wire rod output decreased (-35% to 22,000 tonnes). Commercial billet output was minimal on the back of strong demand for finished products in the Russian market.

The division's total sales were almost in line with the strong results posted in Q2, reaching 0.459 million tonnes (-3%). Almost all of the products were sold domestically. The share of long product (rebar and wire rod) sales was slightly down, while metalware sales were higher.

Scrap collection and processing volumes were seasonally higher, in Q3 sales of processed scrap increased by 11% q-o-q and 12% y-o-y to 1,052 million tonnes, 98% of this volume being consumed internally. In Q4, we anticipate a seasonal slowdown in scrap processing volumes.

NLMK Europe

The European flat steel market saw a seasonal weakening in demand coincided with the new wave of the Eurozone crisis that negatively impacted the economic activity in the region. In Q3, sales of the NLMK Europe division decreased by 22.7%.

NLMK Europe Strip Products

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Hot-rolled steel	0.179	0.252	0.178	-28.7%	0.6%
Cold-rolled steel	0.019	0.027	0.023	-27.4%	-17.5%
Coated steel	0.075	0.089	0.084	-15.0%	-10.2%
Total	0.274	0.367	0.286	-25.3%	-4.0%

The slowdown in consumer sentiment hit the NLMK Europe Strip Products operating results. In Q3, its total steel product output fell 25% to 0.274 million tonnes.

In Q3, NLMK Europe Strip Products' sales decreased by 25%. A drop in sales was recorded for hot-rolled steel (0.179 million tonnes, -29% q-o-q), cold-rolled steel (19,000 tonnes, -27% q-o-q), and coated steel (75,000 tonnes, -15% q-o-q). Q3 sales of hot-rolled steel improved marginally (+0.6%) year-on-year, while sales volumes decreased year-on-year for other steel products.

European car manufacturers and construction companies continued to be the unit's key consumers in Q3. The near regional Western and Northern European markets (France, Germany, the Netherlands, Belgium and the UK) continued to dominate among its key sales regions.

Q3 dollar-denominated sales prices decreased by 2-8%, pressured by weak demand and oversupply in the market.

In 9M 2012, NLMK La Louvière rolling capacities processed approximately 1.1 million tonnes of slabs, with over 80% supplied by Novolipetsk.

NLMK Europe Plate Products

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Plates	0.209	0.260	0.244	-19.8%	-14.6%

In Q3, thick plate production decreased by 33% to 0.189 million tonnes, the decrease largely being driven mostly by the production interruption at NLMK DanSteel to install the new equipment.

In 9M 2012, NLMK Europe Plate Products' rolling assets consumed approximately 0.7 million tonnes of slabs, with 95% supplied by Novolipetsk.

The segment's sales in Q3 decreased to 0.209 million tonnes (-20%). Key sales channels included the European countries (including Italy, Germany, Denmark, and Sweden), as well as international markets, including the Middle East.

Q3 dollar-denominated sales prices decreased by 2-7% quarter-on-quarter.

NLMK USA⁶

million metric tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Hot-rolled steel	0.238	0.257	0.207	-7.4%	14.7%
Cold-rolled steel	0.109	0.128	0.136	-14.9%	-20.3%
Galvanised steel	0.069	0.102	0.078	-32.7%	-12.0%
Total	0.415	0.486	0.421	-14.7%	-1.6%

⁶ Operating data for NLMK USA is presented in metric tonnes

In Q3, the division's total steel product output decreased by 12% q-o-q to 417,000 tonnes. NLMK Indiana produced 175,000 tonnes of steel at its own steelmaking facilities, representing a 4% q-o-q decline.

In 9M 2012, the division's rolling assets purchased approximately 0.9 million tonnes of slabs, with 28% supplied by Novolipetsk.

In Q3, on the back of excessive supply in the US market, the division's sales decreased by 15% to 415,000 tonnes. Hot-rolled and cold-rolled steel sales fell by 7% and 15%, respectively. HDG shipment levels were lower to weak demand in commercial and residential construction. Customer inventory levels remain low on the back of consumer destocking in September-October, coupled while imports are at reasonable levels. We expect customer activity to pick up in the construction sector. However, we do not expect a significant increase in demand for steel products in November-December.

Q3 steel product prices continued to be pressured by the ongoing decrease in scrap prices in the US market. In Q3, NLMK USA's average sales prices were down by 3-8%.

The division's key consumers include car manufacturers, heavy engineering, pipe and tube manufacturers, and service centres.

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About NLMK

NLMK is an international vertically-integrated steelmaking company with production facilities located in Russia, Europe and the US.

The crude steel capacity of its operating units exceeds

15mtpa. The Company generated \$11.7 billion of revenues, and a 19.5% EBITDA margin in 2011. The Company's ordinary shares and GDSs are traded on the MICEX-RTS and LSE,

respectively.

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Appendix

NLMK Group Q3 2012 production⁷:

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Pig iron	2.959	3.117	2.513	-5.1%	17.8%
Steel	3.768	3.843	2.894	-1.9%	30.2%
Salable pig iron	0.110	0.201	0.349	-45.4%	-68.6%
Salable slabs	1.049	1.038	0.517	1.1%	103.0%
Flat steel	2.177	2.358	2.255	-7.6%	-3.3%
Long steel	0.378	0.367	0.294	3.1%	28.4%
Metalware	0.080	0.076	0.072	4.1%	11.0%
Total	3.794	4.041	3.491	-6.1%	8.7%

⁷ Excluding inter-group operations

Novolipetsk production volumes in Q3 2012:

million tonnes	Q3 2012	Q2 2012	Q3 2011	Q3 12 / Q2 12	Q3 12/ Q3 11
Pig iron	2.959	3.117	2.513	-5%	17.8%
Crude steel	3.077	3.130	2.402	-2%	28.1%
Salable slabs	1.533	1.772	0.947	-13%	61.9%
Hot-rolled steel⁸	0.589	0.508	0.534	16%	10.3%
Cold-rolled steel	0.365	0.378	0.366	-4%	-0.4%
Galvanised steel	0.140	0.142	0.152	-1%	-7.6%
Pre-painted steel	0.130	0.130	0.131	0%	-0.3%
Dynamo steel	0.070	0.070	0.060	0%	16.8%
Transformer steel	0.021	0.019	0.021	10%	-1.5%

⁸ Including hot-rolled pickled steel