NLMK
Press-release
20 December 2010

NLMK 9M 2010 US GAAP Results

NLMK*, the LSE-listed leading Russian steel producer, today announces its consolidated US GAAP results for the first nine months and the third quarter of 2010.**

In Q3 a substantial increase in sales of high value added products in the domestic market alongside efficient cost management allowed NLMK to reach an EBIDTA margin of around 31%. Q3 2010 EBITDA amounted to USD695 million.
Furthermore, the Company increased sales volumes, including to the domestic market (to 35% of total sales) and significantly improved its sales mix. This resulted in a 4% increase in revenue to above USD2.2 billion. Net income grew 13% and amounted to USD516 million. Given the pick-up in activity in the Russian construction sector, the Long Product Division recorded double-digit growth both in terms of revenue (+24%) and in terms of operating profit (+231%), contributing to the Group's overall profitability.

In Q4 2010 the Group's operating performance is expected to be broadly in line with Q3 (about 3 million tonnes). According to our preliminary estimates, Q4 revenue will grow by around 3%. The EBITDA margin is expected to be in the range of 20%-25% due to the increase in production costs and the seasonal decline of demand on the local market.

FINANCIAL HIGHLIGHTS

USD, million	Q3 2010**	Q2 2010**	Change,%	9M 2010	9M 2009	Change,%
Sales revenue	2 232	2 156	+4%	6 085	4 325	+41%
Gross profit	860	887	-3%	2 270	1 304	+74%
Operating profit	569	627	-9%	1 460	545	+168%
EBITDA***	695	774	-10%	1 856	917	+102%
EBITDA margin (%)	31%	36%		30%	21%	
Net profit attributable to NLMK shareholders	516	459	+13%	1 106	-79	
Net debt	1148	948	+21%	1148	761	+51%
Net debt /EBITDA ****	0,48	0,44		0.48	0,53	

* Novolipetsk, -the Parent company, Lipetsk site; together with subsidiaries – NLMK, Group, Company

*** 9M 2010, 9M 2009, H1 2010 and 3M 2010 are official reporting periods. Q2 and Q3 2010 figures are derived by computational method. This assumption is related to calculation of segmental financial results.*
**** EBITDA reconciliation is presented at the end of the press-release in Appendix 1*

***** Net debt/EBITDA ratio is calculated as Net debt as at the end of the reporting period divided by trailing 12 months EBITDA*

OPERATING HIGHLIGHTS:

Crude steel production: 3.0 million tonnes (+3% quarter-on-quarter);

Steel products sales: 3.0 million tonnes (+4% quarter-on-quarter).

ABOUT NLMK

NLMK is one of the world's leading producers of steel, with 2009 revenue of USD6.1 billion and output of over 10.6 million tonnes. As of the end of 9M 2010 the key production facilities located in Russia, the EU and USA employed around 59,000 people.

The Company produces a wide range of steel products, including slabs and billets, hot-rolled, thick hot-rolled plates, cold-rolled, galvanized and electrical steel (transformer grain-oriented steel and dynamo steel), as well as rebar, wire-rod and metalware. In 2009 NLMK delivered its products to customers from over 70 countries.

NLMK shares are traded in Russia on MICEX and RTS, and GDRs – on the London Stock Exchange.

CONFERENCE CALL DETAILS:

NLMK is pleased to invite the investment community to a conference call with the management of NLMK:

Monday, 20 December 2010
09:00 (New York)
14:00 (London)
17:00 (Moscow)

To join the conference call, please, register on-line:
https://eventreg1.conferencing.com/webportal3/reg.html?Acc=097741&Conf=176209

or dial
International Call-in Number: +44 (0)20 7162 0025
US Call-in Number: +1 334 323 6201
*We recommend that participants register on-line to avoid waiting in a queue or to start dialing in 5-10 minutes prior to ensure a timely start to the conference call.

MANAGEMENT COMMENTS

In Q3 2010, the Group successfully grew its sales to the domestic market which recorded high demand for flat and long products.

The Group's EBITDA margin remained at a high level in spite of the ongoing increase of raw material prices (coal and scrap).

NLMK managed to retain its profitability leadership in the global steel industry.

CFO comments

Ms Galina Aglyamova, Chief Financial Officer, said:

"In Q3 2010, stable demand growth in the Russian market allowed NLMK to increase total sales volumes by 4%. This was achieved by expanding HVA sales among other factors.

"The Group once again demonstrated its ability to quickly adapt to market trends and reported significant improvements in financial performance: revenue increased by 4% to USD2.2 billion. The growth of operating costs in Q3 did not prevent NLMK from remaining one of the most profitable companies in the industry, with an EBITDA margin of 31%. Consolidated costs per tonne of slabs were around USD330, a USD5 increase quarter-on-quarter.

"The Company has low levels of debt and strong operating cash flow that allows maintaining substantial cash funds. Buying activity in the construction sector, our key consumer in the domestic market, is seasonally weak in the last quarter of the year, which may result in a reduced share of domestic sales and, hence, a lower share of HVA sales. Given the increase in raw material prices, this may put additional pressure on our Q4 profitability. This said, according to our preliminary estimates, EBITDA margin will be in the range of 20-25%".

Market environment

In Q3 the Group was able to profit from the favorable domestic market environment, including stable purchases from our key consumers, the construction and machinery sectors. The Q3 share of domestic sales totaled 35%, +4p.p. quarter-on-quarter.

Our export sales stabilized and geographic breakdown of exports almost came to the pre-crisis levels with the bulk of our deliveries going to Europe (22%), North America (17%) and the Middle East (15%).

In Q4 we see a slight improvement in pricing environment in export markets. According to our preliminary estimates, steel prices may grow by 3-5% quarter-on-quarter.

Investments

We are continuing to implement the Sustainable Growth Strategy key projects aimed at expanding production capacity, strengthening vertical integration and increasing the share of high value-added products.
The Group allocated USD983 million for the purchase of equipment and construction-assembly work in 9M 2010, including USD 371 million in Q3.
Throughout the quarter we continued to construct Blast Furnace #7 at our Lipetsk site. Its launch is scheduled for mid-2011. At the same time, we are expanding and revamping our BOF production and constructing a new converter (BOF). As a result, we will be able to expand steelmaking capacity. At the Lipetsk site, steelmaking capacity will increase from 9.4 million tonnes to 12.4 million tonnes. This will also significantly improve the quality of our steel. The construction of our Kaluga mini-mill with a capacity of 1.5 million tonnes of long products is also underway. Commencement of production is scheduled for 2012.

In September production began at a new facility producing electric insulation coating for transformer steel at NLMK's main site in Lipetsk. The launch of the 60,000 tpa line is a further step in designing a process chain for manufacturing a new steel product type in Russia – nanostructured high-permeability transformer steel. Commercial development of this product grade is planned for mid-2011.

Strengthening vertical integration

In October 2010 NLMK acquired *VMI Recycling Group*, a company specializing in collecting and processing of ferrous scrap for a total of USD28 million. *VMI's* operations include four sites equipped with modern scrap processing facilities located in the Moscow region. Cutting edge equipment allows *VMI* to process up to 500,000 tonnes of ferrous scrap per year.

This will allow the Company to mark its presence on the important and promising Moscow scrap-collecting market in close proximity to our facilities, both existing (Lipetsk site) and under construction (Kaluga mini-mill).

Steel Invest and Finance S.A. (NLMK – Duferco JV)

In Q3 2010 the NLMK – Duferco JV (Steel Invest and Finance S.A.) companies reported a net loss attributable to the JV's significant debt leverage. On the operational level, the Company continued to generate a positive cash flow, the JV's Q3 EBITDA amounting to around EUR20 million. In Q3 2010, around USD13 million of losses were reflected in NLMK's income statement.

In the first nine months of 2010 NLMK sold around 1.2 million tonnes of slabs to the JV's rolling facilities, including 0.3 million tonnes in July-September. This created a stable sales channel for over 40% of the company's slab production at market prices. NLMK plans to sell around 1.7 million tonnes of slabs to the JV rolling facilities during 2010.

CONSOLIDATED FINANCIAL RESULTS

Income statement

Key factors impacting Q3 performance

- **Growth of sales backed by improved demand on the local market**

In Q3 the Company's sales volumes increased by 4% quarter-on-quarter to 3.0 million tonnes, primarily due to higher sales to the local market. Long products deliveries increased significantly backed by the seasonal increase in construction sector activity.

Overall sales to the local market were 19% higher quarter-on-quarter, while the share of local sales increased to 35% or by 4 p.p.

- **Steel prices largely flat quarter-on-quarter**

At the end of Q2 and beginning of Q3 weakening of the market environment was driving market prices for the Company's products down. However the Q2 2010 steel deliveries had a significant impact on the average Q3 sales prices due to the production-sales cycle. Both these factors resulted in largely flat quarter-on-quarter sales prices.

- **Higher share of high-value added (HVA) in total sales**

In Q3 the share of high-value added products reached 29% of overall sales. The biggest quarter-on-quarter growth was reported for transformer (+14%), dynamo (+16%), hot deep galvanized (+6%) and colour-coated (+3%) steel. At the same time metalware sales increased by 9%.

Sales revenue

In Q3 2010 consolidated sales revenue totaled USD2,232 million (+4% quarter-on-quarter), mainly driven by higher sales prices and improved sales of HVA products.

Sales revenue in 9M 2010 was 41% higher year-on-year due to better pricing in 2010, improvements to the product mix and geography of sales.

Production costs

Production expenses in Q3 2010 increased by 10% quarter-on-quarter and amounted to USD1,260 million. Key factors that determined the production cost dynamics include:

- Increase in steel product sales by 4% quarter-on-quarter;

- Increased share of long steel product sales for which the production costs are slightly higher than for the steel segment, largely due to high scrap prices;

- Higher prices for coking coal on the back of the decline in inventories accumulated at lower prices in Q2 2010;

As a result, Q3 2010 cash cost per tonne of slab totaled USD330, showing just a slight (2%) increase quarter-on-quarter.

Production expenses for 9M 2010 increased by 29% year-on-year and amounted to USD3,457 million which resulted from the growth of raw material prices and higher sales of steel products.

SG&A

SG&A expenses increased by 12% quarter-on-quarter and totaled USD291 million. The increase was largely driven by the 10% increase of commercial expenses that totaled USD187 million, in turn mainly driven by higher sales.

SG&A expenses for 9M 2010 increased by 7% year-on-year to USD810 million. The increase of SG&A

incorporates a reduction of administrative expenses (-13%). An increase of commercial expenses also resulted from growth in sales volumes.

Operating profit

Operating profit for Q3 2010 totaled USD569 million (-9% quarter-on-quarter), reflecting an increase in production and SG&A expenses. The operating profit margin in Q3 2010 was 26%.

The operating profit for 9M 2010 amounted to USD1,460 million, a 2.7 fold increase year-on-year.

EBITDA

Q3 2010 EBITDA totaled USD695 million, a 10% reduction quarter-on-quarter. A reduction in EBITDA and EBITDA margin resulted mainly from the growth of raw material costs.

9M 2010 EBITDA totaled 1,856 million, more than doubling year-on-year. The EBITDA margin was 30%, a 9 p.p. increase year-on-year.

Interest expenses

In 9M 2010 interest expenses totaled USD24 million. This significant reduction is attributable to their capitalization as part of construction in progress. In 9M 2010 capitalized interest expenses totaled USD101 million.

Net FX gain/loss

In the course of Q3 2010 the net FX gain amounted to USD80 million. This is attributable mainly to F/X rate fluctuations (in Q2 2010 net FX loss totaled USD81 million).

Net income

In Q3 2010 the Company recorded net income (attributable to NLMK shareholders) amounting to USD516 million, a 13% increase quarter-on-quarter. The net income margin amounted to 23% (+2 p.p. quarter-on-quarter).

The increase in net income (despite the reductions in EBITDA and operating profit) is largely explained by the net FX gain reflected in Q3 2010 (compared to the loss in Q2). (Please see the corresponding section for details).

In 9M 2010 net income (attributable to NLMK shareholders) amounted to USD1,106 million compared to net loss of USD79 million in 2009.

Net income was partially affected by SIF's (NLMK's JV with Duferco Group) financial performance that contributed a loss of USD19 million and USD13 million in 9M 2010 and Q3 2010 accordingly.

Balance sheet

NLMK has maintained its financial stability. As at 30 September 2010 the Group's assets totaled USD13.9 billion, increasing by 11% in 9M 2010 and by 8% in Q3 2010, mostly as a result of the net profit increase. The share of shareholder's equity totaled 69% as at 30 September 2010.

The debt of the Company amounted to USD2,653 million. The Company continued to attract financing from the EBRD to fund our energy efficiency program and also the ECA finance facility signed at the end of last year. This resulted in an increase in financial debt in Q3 2010.

Short-term debt totaled USD595 million, mainly represented by the short-term debt as part of a syndicated loan obtained in 2008 with the payments under this loan being made on a quarterly basis.

Net debt as at 30 September totaled USD1,148 million (+21% compared to 30 June 2010) due to the increase in the Company's financial debt.

Net debt/EBITDA (LTM EBITDA) reached 0.48 as at the end of Q3 2010. The gross debt/EBITDA ratio is slightly above 1.

Q3 current assets increased by 5% and amounted to USD4,372 million, which is attributable mostly to increase in inventories. A part of cash and cash equivalents was placed in ST investments in the form of deposits. This transaction had no impact on working capital (see cash flow from investing activities).

As a result of the growth of net profit the ROA (return on assets) and ROE (return on equity) ratios in Q3 2010 achieved 15% and 22% respectively. The current and quick liquidity ratios as at 30 September 2010 was 2.4 and 1.6 respectively.

Cash flow statement

Operating cash flow

Cash flow from operating activities in Q3 2010 totaled USD558 million (+61% quarter-on-quarter). The cash outflow arising from the working capital increase was fully compensated for by the net profit of the Group.

9M 2010 operating cash flow totaled 1,007 million, a 20% reduction to the previous year level. This decline was due to a downswing in raw material and product prices in 2009 (resulting in a decrease in working capital and an increase in operating cash flow), as well as the restocking required to support higher production volumes in 2010.

Cash flow from investing activities

Cash flow from investing activities in Q3 2010 amounted to USD875 million (+94% quarter-on-quarter). The bulk of the outflow was directed to the placement of ST deposits "Purchases of investments and placement of bank deposits" (USD613 million) and purchase of property plant and equipment (USD371 million, -2% quarter-on-quarter).

Net cash outflow from investing activities in 9M 2010 amounted to USD1,552 million (+22% year-on-year). A bulk volume of this outflow was used for purchase of property plant and equipment – USD983 million (+39% year-on-year), the rest of the amount was mainly placed on a deposit accounts and is represented as a short term financial investments on the balance sheet.

Cash flow from financing activities

Net cash inflow from financing activities of USD164 million in Q3 2010 was largely attributable to the growth of financial debt - the Company received another tranche of financing as part of the EBRD and ECA-backed loans. The net inflow for 9M 2010 was USD66 million.

The Group's cash position as at the end of Q3 2010 totaled USD780 million and an aggregate of cash and cash equivalents and short-term investments stood at USD1,506 million (+6% in Q3 2010) which coupled with low debt level (net debt amounted to USD1,148 million) confirms the stable financial position of the Company.

Steel segment

USD million	**Q3 2010***	Q2 2010*	Change %	**9M 2010**	9M 2009	Change %
Revenue from external customer	1,903	1,866	+2%	5,241	3,708	+41%
Revenue from intersegmental operations	31	32	-4%	85	75	+13%
Gross profit	535	557	-4%	1,500	1,009	+49%
Operating profit	310	365	-15%	884	428	+107%
Profit / (loss) after income tax	433	453	-5%	1 017	796	+28%

**9M 2010, 9M 2009, H1 2010, 3M 2010 are official reporting periods. Q2 and Q3 2010 figures are derived by computational method.*

The Group's financial performance is largely defined by the performance of the steel segment, which comprises Novolipetsk, VIZ-Stal (a producer of electrical steel), DanSteel A/S (a thick plates producer), NLMK Indiana (formerly Beta Steel, the US-based steel and flats producer), trading companies Novexco Limited, Cyprus and Novex Trading S.A., Switzerland, as well as a number of service companies (Logistics company NTK and Trading House NLMK)

In 9M 2010 the Segment's production volume totaled 7.35 million tonnes of crude steel, including 2.46 million tonnes of steel in Q3 2010 (+14% year-on-year and +1% quarter-on-quarter). The output of saleable slabs totaled 2.6 million tonnes, including 0.9 million tonnes in Q3 2010 (+8% and -2% respectively). 9M 2010 flat steel output totaled 4.3 million tonnes, including 1.45 million tonnes in Q3 2010 (+16% and +1%).

9M 2010 total sales volume amounted to 7.8 million tonnes. Q3 2010 Steel Segment sales volumes amounted to 2.65 million tonnes (+1% quarter-on- quarter)

Q3 2010 operating profit was slightly lower quarter-on-quarter due to increased production expenses.

Long products segment

USD million	**Q3 2010***	Q2 2010*	Change %	**9M 2010**	9M 2009	Change %
Revenue from external customer	258	209	+24%	629	414	+52%
Revenue from intersegmental operations	188	122	+55%	372	224	+66%
Gross profit	85	56	+54%	154	41	+278%
Operating profit	42	13	+231%	31	-61	-151%
Profit / (loss) after income tax	2	-50		-131	-217	-40%

**9M 2010, 9M 2009, H1 2010, 3M 2010 are official reporting periods. Q2 and Q3 2010 figures are derived by computational method.*

The Long products segment includes the Long Products Division companies: NSMMZ, UZPC, scrap collecting and processing facilities, and others. The core activities of these companies are scrap collection and processing, steel-making (EAF based) and long products and metalware manufacturing.

The Segment's crude steel production in 9M 2010 totaled 1.2 million tonnes, including 0.5 million tonnes of steel in Q3 2010 (-7% year-on-year and +10% quarter-on-quarter).

In Q3 the sales volumes of the segment increased significantly – overall sales volumes (including intercompany sales) totaled 0.5 million tonnes (+54% quarter-on-quarter), including 0.4 million tonnes of long products (+61%) and 0.06 million tonnes of metalware (+9%).

A significant increase in sales volumes resulted in a significant improvement of the segment's financials compared to the previous quarter. Year-on-year growth was driven by a better pricing environment and higher HVA sales.

Low financial results after income tax are mainly attributable to the segment's high interest expenses (debt leverage), the bulk of which are associated with Novolipetsk (the Parent company) loans.

Mining segment

USD million	Q3 2010*	Q2 2010*	Change %	9M 2010	9M 2009	Change %
Revenue from external customer	23	25	-6%	61	73	-17%
Revenue from intersegmental operations	228	237	-4%	605	306	+97%
Gross profit	179	178	+1%	433	161	+170%
Operating profit	163	164	0%	389	121	+221%
Profit / (loss) after income tax	129	130	-1%	309	107	+189%

**9M 2010, 9M 2009, H1 2010, 3M 2010 are official reporting periods. Q2 and Q3 2010 figures are derived by computational method.* NLMK's Mining segment comprises Stoilensky, Dolomit and Stagdok. These companies mainly supply raw materials to NLMK's production facilities in Lipetsk and also sell limited volumes outside the Group.

In 9M 2010 Stoilensky, the Group's key mining asset, produced 9.0 million tonnes of iron ore concentrate (+12% year-on-year), including 3.0 million tonnes in Q3 (in line with the previous quarter).

The bulk of the Segment's revenue (over 90%) is generated by intersegmental operations, primarily through sales to the Lipetsk plant.

In Q3 2010 prices for iron ore reduced slightly quarter-on-quarter resulting in a marginal decline in revenue. The profitability of the segment remained broadly flat due to cost management efficiency.

The year-on-year improvement of the segment's 9M 2010 financials was factored by higher 2010 sales volumes and prices for iron ore. Operating profit of the reporting period increased by 3.2 times, operating profit margin amounted to 58%, and 65% in Q3.

Coke-chemical segment

USD million	Q3 2010*	Q2 2010*	Change %	9M 2010	9M 2009	Change %
Revenue from external customer	47	56	-15%	153	126	+22%
Revenue from intersegmental operations	201	227	-12%	571	206	+178%
Gross profit	60	103	-42%	201	64	+214%
Operating profit	53	96	-45%	175	31	+464%
Profit / (loss) after income tax	45	75	-40%	137	22	+517%

**9M 2010, 9M 2009, H1 2010, 3M 2010 are official reporting periods. Q2 and Q3 2010 figures are derived by computational method.*

The Coke-chemical segment comprises Altai-Koks and its subsidiaries. Altai-Koks is Russia's largest non-integrated coke producer.

In 9M 2010 the Segment produced 2.5 million tonnes of coke (hereinafter production data is presented on dry basis), a 13% growth year-on-year. In Q3 2010 coke production totaled 0.8 million tonnes, a 3% reduction quarter-on-quarter.

9M 2010 coke sales volumes increased 11% year-on-year to 2.5 million tonnes, with 72% delivered to the Lipetsk site.

In Q3 we had a significant reduction in financials related to the lower volume of sales (including deliveries to the Lipetsk plant) and prices.

Substantial year-on-year improvement in financial performance was mainly attributable to an increase in operating results and growing market coke prices.

*For reference (information on the Novolipetsk plant coke production results)**

In 9M 2010 Novolipetsk coke output totaled 1.7 million tonnes, a 3% growth year-on-year.

Total volume of coke produced by NLMK Group in 9M was 4.2 million tonnes (+9% year-on-year).

The full version of the US GAAP 9M 2010 financial statements is available on the Company's website at (www.nlmk.com).

* Financial results for Novolipetsk operations are reflected in the Steel segment

Reference information

Documents

(1) NLMK Group US GAAP 9M 2010 financial statements

(2) US GAAP 9M 2010 financial and operating results presentation

NLMK
Interim condensed consolidated balance sheets
as at September 30, 2010 and December 31, 2009 (unaudited)
(All amounts in thousands of US dollars, except for share data)

	As at September 30, 2010	As at December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	779,931	1,247,048
Short-term investments	725,649	451,910
Accounts receivable and advances given, net	1,188,805	913,192
Inventories, net	1,563,896	1,134,095
Other current assets	62,015	58,034
Deferred income tax assets	51,976	72,467
	4,372,272	**3,876,746**
Non-current assets		
Long-term investments	729,274	468,236
Property, plant and equipment, net	7,986,898	7,316,180
Intangible assets, net	186,696	203,490
Goodwill	554,070	556,636
Deferred income tax assets	19,973	12,199
Other non-current assets	31,027	68,457
	9,507,938	**8,625,198**
Total assets	**13,880,210**	**12,501,944**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other liabilities	1,171,420	841,230
Short-term borrowings	594,709	556,563
Current income tax liability	36,325	19,419
	1,802,454	**1,417,212**
Non-current liabilities		
Deferred income tax liability	383,633	396,306
Long-term borrowings	2,058,608	1,938,652
Other long-term liabilities	193,739	139,906
	2,635,980	**2,474,864**
Total liabilities	**4,438,434**	**3,892,076**
Commitments and contingencies	-	-
Stockholders' equity		
NLMK stockholders' equity		
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at September 30, 2010 and December 31, 2009	221,173	221,173
Statutory reserve	10,267	10,267
Additional paid-in capital	98,752	112,450
Accumulated other comprehensive loss	(886,492)	(796,756)
Retained earnings	10,112,667	9,171,068
	9,556,367	**8,718,202**
Non-controlling interest	**(114,591)**	**(108,334)**
Total stockholders' equity	**9,441,776**	**8,609,868**
Total liabilities and stockholders' equity	**13,880,210**	**12,501,944**

NLMK
Interim condensed consolidated statements of income
for the nine months ended September 30, 2010 and 2009 (unaudited)
(All amounts in thousands of US dollars, except for earnings per share amounts)

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
Revenue	**6,084,636**	**4,325,331**
Cost of sales		
Production cost	(3,457,088)	(2,672,718)
Depreciation and amortization	(357,160)	(348,684)
	(3,814,248)	**(3,021,402)**
Gross profit	**2,270,388**	**1,303,929**
General and administrative expenses	(202,626)	(233,276)
Selling expenses	(517,319)	(450,344)
Taxes other than income tax	(90,005)	(75,763)
Operating income	**1,460,438**	**544,546**
Loss on disposals of property, plant and equipment	(17,919)	(13,132)
Losses on investments, net	(10,384)	(1,862)
Interest income	34,313	53,092
Interest expense	(23,871)	(131,886)
Foreign currency exchange loss, net	(53,615)	(77,683)
Other income / (expenses), net	13,177	(72,589)
Income before income tax	**1,402,139**	**300,486**
Income tax expense	(301,517)	(131,536)
Income, net of income tax	**1,100,622**	**168,950**
Equity in net losses of associates	(18,862)	(344,093)
Net income / (loss)	**1,081,760**	**(175,143)**
Add: Net loss attributable to the non-controlling interest	**24,736**	**96,020**
Net income / (loss) attributable to NLMK stockholders	**1,106,496**	**(79,123)**
Income / (loss) per share – basic and diluted:		
Net income / (loss) attributable to NLMK stockholders per share (US dollars)	0.1846	(0.0132)
Weighted-average shares outstanding, basic and diluted (in thousands)	5,993,227	5,993,227

NLMK
Interim condensed consolidated statements of cash flows
for the nine months ended September 30, 2010 and 2009 (unaudited)
(thousands of US dollars)

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss)	**1,081,760**	**(175,143)**
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:		
Depreciation and amortization	357,160	348,684
Loss on disposals of property, plant and equipment	17,919	13,132
Losses on investments, net	10,384	1,862
Equity in net losses of associates	18,862	344,093
Deferred income tax expense	27,783	36,829
Gains on unrealized forward contracts	(3,230)	(315,096)
Other	10,219	19,616
Changes in operating assets and liabilities		
(Increase) / decrease in accounts receivable	(283,986)	504,158
(Increase) / decrease in inventories	(438,261)	420,804
(Increase) / decrease in other current assets	(4,309)	4,865
Increase in accounts payable and other liabilities	195,072	16,690
Increase in current income tax payable	17,271	30,556
Net cash provided by operating activities	**1,006,644**	**1,251,050**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and construction of property, plant and equipment	(983,324)	(707,652)
Proceeds from sale of property, plant and equipment	14,693	10,403
Purchases of investments and placement of bank deposits	(730,798)	(511,188)
Proceeds from sale of investments and loans settled	147,736	502 047
Loans issued	-	(333,500)
Settlement of abandoned acquisition	-	(234,000)
Net cash used in investing activities	**(1,551,693)**	**(1,273,890)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	819,647	570,813
Repayment of borrowings	(673,877)	(1,011,281)
Capital lease payments	(36,734)	(38,635)
Dividends to shareholders	(42,965)	(1,116)
Dividends to non-controlling shareholders of existing subsidiaries	-	(4)
Net cash provided by / (used in) financing activities	**66,071**	**(480,223)**
Net decrease in cash and cash equivalents	**(478,978)**	**(503,063)**
Effect of exchange rate changes on cash and cash equivalents	11,861	(15,358)
Cash and cash equivalents at the beginning of the period	1,247,048	2,159,989
Cash and cash equivalents at the end of the period	**779,931**	**1,641,568**

Supplementary information

(1) EBITDA reconciliation

USD million	Q3 2010	Q2 2010	9M 2010	9M 2009
Net profit attributable to NLMK shareholders	516	459	1,106	-79
Minus:				
Equity in net losses of associate	-13	21	-19	-344
Net interest expense	-2	8	10	-79
Income tax	-126	-123	-302	-132
Loss on disposal of fixed asset	-4	-12	-18	-13
Impairment losses	0	0	0	0
Depreciation and amortization	-111	-123	-357	-349
Net foreign currency exchange	80	-81	-54	-78
Gains (losses) from financial Investment	-2	-7	-10	-2
EBITDA	695	774	1,856	917

(2) Sales by region in 2009-2010

(in '000 tonnes)

Region	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Russia	571	661	876	784	741	887	1,054
EU	573	376	472	587	841	872	663
Middle East incl. Turkey	532	428	698	743	578	401	455
North America	97	63	414	91	214	476	503
Asia	493	740	589	506	312	159	223
Other regions	70	26	133	76	91	117	123
Total	**2,337**	**2,295**	**3,180**	**2,787**	**2,776**	**2,912**	**3,021**

(3) Sales by products (in '000 tonnes) in 2009-2010

(in '000 tonnes)

Product type	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Pig iron	90	15	221	233	94	238	173
Slabs	645	823	1,062	912	1,008	825	889
Hot-rolled thick plates	72	51	45	52	67	103	84
Hot-rolled steel	563	495	627	506	645	612	632
Cold-rolled steel	337	336	456	407	407	422	356
Hot-dip galvanized steel	58	60	107	102	90	152	161
Colour-coated steel	58	81	97	96	69	87	90
Transformer steel	36	30	39	48	37	48	55
Dynamo steel	34	37	39	51	43	67	78
Billets	72	57	61	83	31	63	73
Long products	335	261	366	254	237	238	367
Metal-ware	36	50	59	44	48	57	62
Total	**2,337**	**2,295**	**3,180**	**2,787**	**2,776**	**2,912**	**3,021**

(4) Revenue by region (based on management data), 2010

Регион	Q1 2010*		Q2 2010*		Q3 2010*	
	USD million	%	USD million	%	USD million	%
Russia	626	37%	837	39%	868	40%
EU	418	25%	522	24%	471	21%
Middle East incl. Turkey	284	17%	269	12%	318	14%
North America	121	7%	281	13%	288	13%
Asia and Oceania	164	10%	115	5%	167	7%
Other regions	85	5%	131	6%	119	5%
TOTAL	**1,697**		**2,156**		**2,232**	

* based on management data, could differ from consolidated reporting data

(5) Consolidated cost of production in Q1 2010 – Q3 2010

Caption	Q3 2010		Q2 2010		Q1 2010	
	USD million	%	USD million	%	USD million	%
Iron ore	57	4.5%	71	6.2%	48	4.6%
Coke and coal	265	21.1%	307	26.8%	256	24.4%
Scrap	283	22.5%	233	20.3%	162	15.5%
Ferroalloys	86	6.8%	65	5.6%	40	3.8%
Other materials	90	7.2%	51	4.5%	79	7.5%
Electric energy	123	9.7%	116	10.1%	99	9.4%
Natural gas	52	4.1%	53	4.6%	61	5.8%
Other fuel materials	23	1.8%	20	1.7%	25	2.4%
Labour	158	12.5%	159	13.9%	160	15.2%
Other	101	8.0%	183	16.0%	216	20.6%
Changes in balances in finished and semi-finished products, work-in-progress and deferrals	23	1.8%	-112	-9.8%	-96	-9.1%
TOTAL	**1 260**	**100.0%**	**1 146**	**100.0%**	**1 050**	**100.0%**

(6) Working capital in 2009-2010

USD million	30.09.2010	30.06.2010	31.03.2010	31.12.2009	30.09.2009	30.06.2009	31.03.2009
Current assets	**4,372**	**4,150**	**4,091**	**3,877**	**3,854**	**4,161**	**4,271**
Cash and cash equivalents	**780**	953	1,157	1,247	1,642	1,591	1,546
Short term investments	**726**	465	424	452	126	467	338
Accounts receivable	**1,189**	1,213	1,065	913	908	882	1,187
Inventories	**1,564**	1,401	1,324	1,134	1,052	1,031	1,050
Other current assets net	**114**	117	120	131	126	190	149
Current liabilities	**1,802**	**1,640**	**1,533**	**1,417**	**1,998**	**2,264**	**2,279**
Accounts payable	**1,171**	1,058	963	841	997	1,109	1,162
Short-term debt	**595**	539	544	557	957	1,126	1,090
Other current liabilities	**36**	43	26	19	44	29	27

Working capital	**2,570**	**2,510**	**2,558**	**2,460**	**1,855**	**1,897**	**1,993**