RNS Announcement

25 August 2011

NLMK H1 2011 and Q2 US GAAP results

NLMK, the LSE-listed leading steel producer, today announces its consolidated US GAAP results for Q2 and H1 2011.

NLMK delivered a significantly improved financial and operational performance in Q2 2011, confirming its status as one of the most efficient global steelmakers. Sales revenue rose by 26% to $2.98 billion on the back of larger sales and improved pricing environment. Positive market sentiment and moderate cost increase pushed up NLMK Group's EBITDA by 43% to $837 million. The EBITDA margin improved 3 p.p. to 28%. Net income grew 50% to $587 million.

Q3 2011 Outlook

Q3 sales volumes will stay largely flat quarter-on-quarter. At the same time, the share of finished value added products will increase substantially following the consolidation of foreign assets. According to our preliminary estimates, Q3 revenues will grow 10-15%. The EBITDA margin is expected to be in the 20-25% range.

Q2 AND H1 2011 KEY HIGHLIGHTS

'000 tonnes/ $ million	Q2 2011[1]	Q1 2011	Change, %	H1 2011	H1 2010	Change,%
Steel product sales	**3,136**	2,773	13%	**5,909**	5,688	4%
Incl. HVA[2]	**927**	880	5%	**1,806**	1,697	6%
Revenue	**2,982**	2,359	26%	**5,341**	3,853	39%
Operating profit	**689**	463	49%	**1,153**	891	29%
EBITDA[3]	**837**	585	43%	**1,422**	1,161	23%
EBITDA margin (%)	**28%**	25%		**27%**	30%	
Net income[4]	**587**	392	50%	**979**	590	66%
Net debt[5]	**1,500**	1,384	8%	**1,500**	948	58%
Net debt/EBITDA[6]	**0.57**	0.54		**0.57**	0.44	

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.

About NLMK

NLMK is one of the world's leading producers of steel, with 2010 revenue of $8.4 billion, output over 11.5 million tonnes. Key production facilities located in Russia, the EU and USA employ around 60,000 people.

The Company produces a wide range of steel products, including slabs and billets, hot-rolled, thick plates, cold-rolled, pre-painted, electrical steel, as well as other high value added steel products, and a wide range of long products, including rebar, wire-rod and metalware. In 2010 NLMK delivered its products to customers from 70 countries.

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

CONFERENCE CALL

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

Thursday, 25 August, 2011
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=682729&Conf=179672
or dial

International Call-in Number: +44 (0)20 7162 0025
US Call-in Number: +1 334 323 6201
Conference ID: 902189

*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.

The conference call replay will be available through 1 September 2011

International Replay Number: +44 (0) 20 7031 4064
US Replay Number: +1 954 334 0342
Replay Access Code: 902189

It is recommended that participants download presentation in advance on NLMK's web-site www.nlmk.com

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MANAGEMENT COMMENTS

The Company was able to capitalize on improved market conditions in Q2, posting substantially higher financials

Ms Galina Aglyamova, Chief Financial Officer, said:

"NLMK's sales volumes increased 13% and revenue was up 26% supported by better market conditions. The geography of sales improved while average selling prices increased. Despite the higher average prices for raw materials, NLMK managed to retain control over production costs and increase its EBITDA by 43% quarter-on-quarter, and the EBITDA margin by 3 p.p. to 28%.

"In Q3 we expect our operating performance to improve, driven primarily by the consolidation of Steel Invest and Finance rolling assets. Through growing the share of value added, the Company's sales structure will improve significantly following the acquisition. As a result, the Company will substantially reduce risks related to pricing volatility in the slab market and achieve greater penetration of the more stable finished product markets. This was acknowledged by the leading rating agencies – in Q2 they upgraded NLMK's credit rating to investment grade, making us the only company in the Russian metals and mining universe with an investment grade from the three leading rating agencies.

"We are also planning to launch our new blast furnace at the Lipetsk site at the end of Q3. As a result, output and sales in the following periods will grow significantly. At the same time, we expect the Q2 further growth in raw material prices to impact our production costs in Q3. Coupled with the growth of overall production costs the consolidation of Steel Invest and Finance rolling assets may have a negative impact on our profitability."

Operating performance

NLMK Group produced 3.0 million tonnes of steel (+3% quarter-on-quarter) in Q2 2011. Steelmaking facilities were running at almost 97% (99% for the main production site in Lipetsk, and c. 91% for the Long Products Division).

Steel product sales totaled over 3 million tonnes (+13% quarter-on-quarter; +8% year-on-year). The market recovery allowed the Company to grow its high value added (HVA) sales by 5% to 927,000 tonnes, mostly marketed domestically.

Managing asset portfolio

Independent Transportation Company (NTK) divestment

In April NLMK made the decision to divest 100% of its holdings in Independent Transportation Company LLC (NTK) to UCL Rail B.V. (a subsidiary of Universal Cargo Logistics Holding B.V., controlled by NLMK's main shareholder). The cash consideration for the transaction was $325 million (based on the FX rate as at the date of payment) and the net debt of NTK upon completion of the transaction was around $238 million. The transaction was closed in early June 2011. The value of the stake in the company was based on the fairness opinion prepared by Deutsche Bank AG (London).

Steel Invest and Finance S.A. acquisition and creation of international divisions

On July 1, 2011 NLMK finalized the deal to purchase Steel Invest and Finance ("SIF", 50/50 JV with Duferco) rolling assets from Duferco Group for an all cash consideration of c. $600 million, payable in four equal annual installments. In August NLMK announced the creation of its new business divisions: NLMK Europe and NLMK USA, uniting all of the Group's international assets, including the Steel Invest and Finance rolling facilities. NLMK's international businesses currently have a rolling capacity in excess of 7 million tonnes, or c. 50% of the Group's total finished steel capacity.

Steel Invest and Finance S.A. rolling asset performance

Sales of the rolling assets that were part of NLMK's JV with Duferco (SIF) until July 1, 2011 totaled

828,000 tonnes, -5% quarter-on-quarter (hereinafter, preliminary data for the rolling assets that were included into the NLMK Group perimeter starting from July 1, 2011). Hot-rolled and pickled steel accounted for 37% of sales, cold-rolled steel – for 20%, pre-painted steel for 21%, and thick plates for 20%.

According to preliminary data, Q2 SIF revenues from the sale of flat steel totaled c. $850 million. Growing production costs weakened profitability – the EBITDA margin was c. 1% (operating EBITDA, before one-off gains/losses).

NLMK's slab deliveries to SIF rolling assets in Q2 totaled 719,000 tonnes.

Capex program

In Q2 the Company continued the implementation of its key capex projects, allocating c. $0.5 billion for these purposes.

Steelmaking and rolling facilities

The construction of the 3.4 million tonne Blast Furnace #7 is complete. The facility is currently in start-up mode. It is expected to go live in Q3 2011.

Novolipetsk continued the construction of a c. 3 mtpy BOF, ladle-furnaces and a vacuum degasser, as well as existing equipment upgrades. These projects are aimed at enhancing the Company's BOF capacities, as well as improving the quality and expanding the product mix.

The Company also continued with its Kaluga Mini-Mill project. The mill, with a capacity of 1.5 mtpy of long products, is expected to be launched in H1 2012.

Developing rolling assets

Novolipetsk continued to master the production of high-permeability transformer steel. Production is to begin in Q1 2012.

Self-sufficiency in iron ore

In Q2 Stoilensky launched an additional iron ore concentrate production section with a capacity of 2 mtpy, expanding the Company's total capacity to 14 mtpy of concentrate. Construction of a new 4 mtpy beneficiation section is planned for 2012-2014. The additional volumes of concentrate will be used to produce pellets at the Pelletizing Plant which is currently under construction. Go-live is scheduled for 2014, following which NLMK will be fully sufficient in iron ore including pellets, even considering the expansion of pig iron and steel production with the launch of Blast Furnace #7.

2011 capex

In 2011 NLMK plans to allocate c. $2 billion towards the implementation of its Technical Upgrade Program.

Debt management

As at June 30, 2011, the total debt of the Group remained practically unchanged quarter-on-quarter at $2,614 million (with ST debt accounting for 21%) while net debt amounted to $1,500 million, 8% higher compared to March 31, 2011.

As at June 30, the debt is mostly represented by 3-year Russian exchange traded bonds issued in the end of 2009 - beginning of 2010 as well as by the $1.6 billion 5 year loan attracted in 2008 with the interest rate LIBOR + 1.2%, as well as a loan agreement guaranteed by Export Credit Agencies to finance equipment acquisitions.

Moreover, NLMK's debt includes obligations under its long-term financing facility agreement with the European Bank for Reconstruction and Development (EBRD).

Summing up the results of Q2 2011 - the Company continues to maintain a comfortable level of net debt where the Net debt/ 12M EBITDA ratio is about 0.57.

Credit ratings

In May 2011 the international rating agency Fitch upgraded the Company's long-term credit rating from BB+ to the investment grade level at BBB- with a stable outlook.

In June 2011 the international rating agency Moody's upgraded the Company's credit rating from Ba1 to the investment grade level at Baa3 with a stable outlook.

The rating agencies highlighted the efficiency of NLMK's strategy, and improvements in its operating profile, i.e. in balancing its 40% growth in semi-product and re-rolling production capacities through the acquisition of the Steel Invest and Finance (former JV with Duferco) assets. Moreover, rating agencies have noted NLMK's conservative financial strategy with a low debt leverage, stable financials, high profitability and low production costs.

Therefore, NLMK has obtained investment grade credit ratings from all the three leading global rating agencies.

Dividends

In June 2011, NLMK's Annual General Shareholders' Meeting (AGM) approved the total dividend for the financial year 2010 of RUR1.82 per ordinary share. Taking into account the previously paid interim dividends for the first half of 2010 of RUR0.62 per ordinary share, additional payment will amount to RUR1.20 per ordinary share. Dividends totaled c. $379 million, or 30% of the Company's net profit.

NLMK's Meeting of the Board of Directors, held on August 15, 2011, recommended that the Group's Extraordinary General Shareholders' Meeting (EGM) approve the decision to declare dividends for H1 2011 on ordinary issued shares in the amount of RUR1.40 per ordinary share. The EGM will be held in the form of absentee voting. The deadline for the receipt of voting ballots is fixed at September 29, 2011. The total amount of interim dividends (based on the FX rate as at the date of recommendation) is $285 million or c. 30% of the Company's net profit for H1 2011.

Corporate governance

NLMK's AGM, held in June 2011, approved the new Board of Directors, with two new independent directors, Helmut Wieser and Franz Struzl. The new Board members have extensive experience working with global steelmakers. Currently three out of NLMK's nine directors are independent.

Consolidated financial results

Key drivers for Q2 2011 financial performance:

- Higher steel prices

In Q2 2011 the average selling price for steel products grew 11% to $826/t, which largely followed global steel market trends. This increase was driven, among other factors, by steel producers' attempts to compensate against growing global raw material prices from the beginning of the year.

- Growth in domestic sales

In Q2 NLMK Group improved its steel product sales by 13% to 3,136,000 tonnes. The seasonal growth of demand from our key consumers in the domestic market allowed us to increase our HVA sales to 927,000 tonnes (+5% quarter-on-quarter), accounting for 30% of total sales. The greater part of these was traditionally marketed domestically. On the whole, domestic sales totaled 36% (+1 p.p. quarter-on-quarter). On the back of the seasonal pickup of demand from the construction sector in April-June, NLMK significantly grew its long product and metalware sales (to 389,000 tonnes, +22% quarter-on-quarter; and to 71,000 tonnes, +38% respectively). Cold-rolled steel and thick plate sales also increased.

Slab sales spiked to 1,156,000 tonnes, with c. 60% going to SIF's European assets.

- Higher raw material prices

Prices for raw materials continued to grow in Q2 – up c. 10% for coking coal. The depletion of raw materials stocks formed at cheaper rates during Q1 additionally contributed to higher steel production costs.

The consolidated cash cost per tonne of slabs at the Lipetsk site was $406/t in Q2 (+12% quarter-on-quarter). This increase was largely driven by the RUR strengthening vs. the US$. However, efficient upstream integration limited the growth of production costs and allowed NLMK to remain among the most efficient companies in the industry.

Revenue

In Q2 2011 sales revenues reached $2,982 million (+26% quarter-on-quarter), attributable to the growth of steel sales volumes (+13% quarter-on-quarter), and an improved geography of sales, higher domestic sales in particular. Moreover, average selling prices grew 11% to $826/t.

The Group's H1 revenue totaled $5,341 million (+39% year-on-year) as a result of higher prices and larger sales of HVA products.

Production costs

Due largely to the ongoing growth in raw material prices and larger sales volumes, Q2 2011 production expenses (excluding depreciation and amortization) amounted to $1,785 million (+22% quarter-on-quarter). The growth of the RUR exchange rate also contributed significantly to higher production costs in Q2.

RUR strengthening had a substantial impact on H1 performance. 6M 2011 production expenses totaled $3,250 million, +48% year-on-year. Alongside exchange rates, spiking prices for raw materials (coking coal prices grew 41% year-on-year, 53% for pellets, 33% for scrap), as well as higher tariffs for products and services of natural monopoly also contributed to larger costs.

SG&A

In Q2 2011 SG&A expenses totaled $374 million, up 22% quarter-on-quarter, mostly attributable to higher sales volumes, modified export delivery terms for Altai-Koks (transition to CPT terms), as well as NTK's (Independent Transportation Company) post-divestment costs for transporting NLMK Group's products in June 2011. This increase was additionally impacted by higher G&A expenses at the Kaluga site, where mini-mill construction is entering its final stages.

H1 operating expenses grew 31% year-on-year, mostly driven by larger transportation volumes, higher freight rates, as well as an increase in administrative expenses at the Kaluga site.

Operating profit

Q2 operating profit increased to $689 million (+49% quarter-on-quarter), supported mainly by higher sales volumes, including HVA products, on the back of better market conditions. Sales prices were outstripping costs growth: revenue per tonne of steel in Q2 stood at $995, +$183 quarter-on-quarter, whereas production costs per tonne of steel were up $91 to $596/t. The operating profit margin increased to 23% (+3 p.p.).

H1 operating profit grew 29% to $1,153 million, also affected by these factors.

EBITDA

Q2 EBITDA grew 43% quarter-on-quarter to $837 million. The EBITDA margin was 28% (+3 p.p.).

H1 EBITDA increased 23% year-on-year to $1,422 million, driven by higher prices, improved sales structure and increased sales volumes.

Interest expenses

Debt service interest expenses were not recognized in the Q2 2011 Income Statement. This is attributable to the fact that all debt service financial expenses for the stated period were recognized as associated with the capex programme implementation, and were capitalized. The amount of capitalized interest expenses in Q2 2011 was $40 million, and $81 million in H1 2011 (see Note 6 to the Financial Statements).

Net income

In Q2 2011 the Group's net income (attributable to NLMK's main shareholders) was up 50% to $587 million. Net income margin was 20% (+3 p.p. quarter-on-quarter).

In H1 net income was $979 million, +66% year-on-year. This substantial increase resulted from better financial performance of the Group and the $53 million profit of associated companies (this item includes profit obtained by Steel Invest and Finance attributable to NLMK Group), reflected in the NLMK Income Statement, compared to a loss of $6 million in H1 2010.

Balance sheet

As of June 30, 2011 the Group's assets totaled $15.95 billion, a 5% increase compared to March 31, 2011. The key factors contributing to this increase were fixed asset value growth, as well as higher receivables and inventory levels. The RUR appreciation against US$ during the reporting period served as an additional growth factor. The return on assets in Q2 2011 was 15% (+4 p.p. quarter-on-quarter).

Mostly as a result of higher prices for raw materials in Q2 inventories grew by 8% to the beginning of the quarter. The 29% increase in receivables was driven by higher delivery volumes and prices for finished products. These factors had a significant impact on the growth of current assets that totaled $4.81 billion (+8% to the beginning of Q2).

The Company has a sufficient amount of liquid assets with an aggregate of cash and cash equivalents and short-term investments (mainly represented by ST bank deposits) standing at $1.1 billion as at June 30, 2011.

Stockholders equity amounted to $11.4 billion, the 6% growth to March 31, 2011 being largely attributable to the increase of retained earnings, the impact of exchange rate changes, as well as the recognition of proceeds from the disposal of NTK LLC, a non-core asset (see change in the Additional paid-in capital balance sheet entry). The equity to total assets ratio was 72% and the return on equity was 21% (+6 p.p. to the previous quarter).

Current liabilities of the Group at the end of Q2 stood at $2.1 billion mostly representing financial debt. ST debt as at June 30, 2011 stood at $544 million, which is less than 50% of the Company's total liquid assets.

The Group has historically reported a strong level of financial stability. The Company's current liquidity ratio was 2.2 and acid ratio – 1.3.

The total debt as at June 30, 2011 compared to the beginning of the reporting period decreased 0.5% to $2.6 billion, of which 79% was long term debt. Net debt as at the end of the reporting period was $1.5 billion. Net debt to EBITDA was 0.57.

Cashflow

Cash flow from operating activities

Cash flow from operating activities in Q2 2011 amounted to $284 million, -48% quarter-on-quarter. This decrease was largely driven by higher inventory levels and receivables.

Against H1 2010 cash flow from operating activities in H1 2011 grew 84% to $827 million. This increase is mostly related to improvements in the Company's financial performance.

A sufficient volume of cash flow from operating activities allows the Company to perform large scale investments, efficiently using own and external funds without significant increase of the debt leverage.

Cash flow from investing activities

Cash outflow from investing activities in Q2 2011 amounted to $589 million (x2.7 quarter-on-quarter), including $522 million directed to capex (+31%). Investment cash flow also included the first $150 million annual installment under the SIF rolling assets acquisition.

H1 2011 capex stood at $922 million (+51% year-on-year). This growth is largely attributable to significant investments associated with the completion of the new blast furnace construction and BOF operations revamping at the Lipetsk site. Total net cash outflow from investing activities in H1 amounted to $805 million (+19% year-on-year).

Cash flow from financing activities

Net cash inflow from financing activities in Q2 2011 totaled $288 million (Q1 saw a net outflow of $108 million). This inflow was associated with proceeds from the disposal of NTK to an entity under common control (+$313 million in net proceeds). H1 2011 inflow totaled $180 million (as opposed to the $98 million outflow in H1 2010).

Cash and cash equivalents at the end of H1 2011 stood at $911 million. An increase compared to the beginning of the reporting period is mostly attributable to operating profit growth and cash inflow from the disposal of a subsidiary.

Inclusive of ST financial investments, the Company's highly liquid assets stand at $1.1 billion.

Steel segment

$, million	Q2 2011	Q1 2011	Change, %	6M 2011	6M 2010	Change, %
Revenue from external customers	2,520	2,009	25%	4,529	3,338	36%
Revenue from intersegmental operations	47	49	-4%	95	53	79%
Gross profit	616	442	39%	1,059	965	10%
Operating profit	354	224	58%	578	574	1%
Profit after income tax	348	238	46%	587	584	0%

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

During Q2 2011, the Steel segment companies produced 2.5 million tonnes of steel (+3% quarter-on-quarter), 0.9 million tonnes of commercial slabs (+10%) and 1.4 million tonnes of flat products (-7%). H1 output totaled 5.0 million tonnes of steel (+2% year-on-year), 1.7 million tonnes of commercial slabs (-2%), and 2.9 million tonnes of flats (+1%).

Q2 2011 revenue from external customers amounted to $2,520 million, +25% quarter-on-quarter. Operating profit grew to $354 million (+58%).

The segment's profit growth is associated with higher sales volumes and steel product prices supported by efficient cost control.

Over the 6M 2011, the Steel segment companies' revenue grew 36% to $4,529 million while operating profit remained flat year-on-year. Higher prices for raw materials, products and services of natural monopolies played the key role in constraining profitability.

Long products segment

$, million	Q2 2011	Q1 2011	Change, %	6M 2011	6M 2010	Change, %
Revenue from external customers	336	260	30%	596	371	61%
Revenue from intersegmental operations	199	111	79%	310	184	69%
Gross profit	63	61	3%	124	69	80%
Operating profit	4	7	-39%	11	-11	
Profit after income tax	-40	-57	-29%	-97	-133	-27%

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

In Q2 2011 steel output was 0.5 million tonnes (+5% quarter-on-quarter). The segment produced 0.03 million tonnes of billets, 0.4 million tonnes of long products, and 0.07 million tonnes of metalware. Total Q2 2011 volumes of the companies' scrap sales amounted to 1.0 million tonnes, almost entirely sold within the Group.

In 6M 2011 the segment companies produced 0.9 million tonnes of steel (+30% year-on-year), 0.07 million tonnes of billets (-33%), 0.7 million tonnes of long products (+43%), and 0.1 million tonnes of metalware (+16%).

Q2 revenue from external customers grew to $336 million (+30% quarter-on-quarter). The result is attributable to higher sales volumes and prices for the segment's products supported by the seasonal growth in demand from the construction sector. The 79% quarter-on-quarter increase in the revenue from intersegment operations in Q2 is explained by larger volumes of scrap deliveries to the Group's main production site.

The segment's operating profit decreased by 39% to $4 million due to growing key raw material (scrap) costs, as well as higher administrative expenses at the Kaluga site.

H1 revenue from external customers totaled $596 million (+61%); operating profit was $11 million compared to the $11 million loss last year.

Mining segment

$, million	Q2 2011	Q1 2011	Change, %	6M 2011	6M 2010	Change, %
Revenue from external customers	36	20	78%	56	38	49%
Revenue from intersegmental operations	364	274	33%	638	377	69%
Gross profit	307	210	46%	516	254	103%
Operating profit	282	196	44%	478	226	112%
Profit after income tax	223	161	38%	383	180	113%

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 Q2 Stoilensky, the principal mining company within the Group, produced 3.5 million tonnes of iron ore concentrate (+18% quarter-on-quarter) and 0.4 million tonnes of sinter ore (+5%). This increase occurred after the launch of the additional 2 mtpy beneficiation section. In H1 Stoilensky produced 6.4 million tonnes of iron ore concentrate (+8% year-on-year) and 0.8 million tonnes of sinter ore (+5%)

The Segment's external revenue does not exceed 10% of overall sales as the bulk of the sales are directed to Novolipetsk, NLMK's parent company.

Q2 2011 operating profit amounted to $282 million (+44% quarter-on-quarter). H1 2011 operating profit grew 112% year-on-year to $478 million.

Profit growth was driven by higher sales volumes and prices for the segment's products supported by a modest growth of total production costs. The Q2 cash cost per tonne of concentrate fell from $22 to $18 quarter-on-quarter.

In Q3 further improvement in demand from the main consumers and enhanced production capacities supported by stable production costs are expected to result in better financial performance for the segment.

Coke-chemical segment

$, million	Q2 2011	Q1 2011	Change, %	6M 2011	6M 2010	Change, %
Revenue from external customers	90	70	28%	160	106	51%
Revenue from intersegmental operations	277	237	17%	514	370	39%
Gross profit	73	72	2%	145	142	3%
Operating profit	48	53	-9%	101	122	-17%
Profit after income tax	38	40	-5%	78	92	-15%

The Coke-chemical segment comprises Altai-Koks and its subsidiaries. Altai-Koks is Russia's largest coke producer which, together with the coke production facility of Novolipetsk, makes the Group fully self-sufficient in coke.

In Q2 2011 the segment produced 1.0 million tonnes of coke (moisture: 6%), a 12% increase quarter-on-quarter. In H1 2011 coke output increased by 8% year-on-year to 1.9 million tonnes.

In Q2 2011 the Company supplied 0.6 million tonnes of coke (more than 60% of the Altai-Koks sales) to Novolipetsk (NLMK's parent company) which consumes the bulk of the Altai-Koks coke output.

In Q2 revenue from external customers grew 28% quarter-on-quarter (to $90 million), driven by higher coke export sales. Increased coke sales to the Lipetsk site resulted in higher revenue from intersegmental operations – +17% to $277 million. The segment's operating profit was down 9% to $48 million.

An increase in coal prices was the main factor behind the lower operating profit for the segment.

In H1 2011 revenue from external customers totaled $160 million (+51% year-on-year); revenue from intersegmental operations stood at $514 million (+39%). The segment's operating profit was down 17% year-on-year to $101 million as a result of a spike in coal prices (+c. 40%).

In Q3 2011 NLMK management expects higher sales levels, hence better financial results for the segment alongside a better effect from vertical integration backed by increasing demand from Novolipetsk. However, the segment's profitability could be constrained by growing costs.

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

In Q2 2011 Novolipetsk coke (moisture: 6%) output totaled 0.6 million tonnes, a 1% increase quarter-on-quarter. In H1 2011 coke (moisture: 6%) output totaled 1.3 million tonnes, in line with H1 2010.

Total volume of coke (moisture: 6%) produced by NLMK Group in Q2 2011 was 1.6 million tonnes, a 7% increase quarter-on-quarter. H1 2011 output totaled 3.2 million tonnes (+5% year-on-year).

The full version of the US GAAP H1 2011 financial statements is available on the Company's website at www.nlmk.com.

Reference information

Documents

- NLMK Group US GAAP H1 2011 financial statements
- US GAAP H1 2011 financial and operating results presentation

BELOW IS THE ABSTRACT FROM THE FINANCIAL STATEMENT FOR THE SIX MONTH OF 2011 UNDER US GAAP, IN THOUSANDS OF U.S. DOLLARS.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS	As at June 30, 2011	As at December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	911,435	747,979
Short-term investments	202,048	422,643
Accounts receivable and advances given, net	1,668,670	1,259,596
Inventories, net	1,923,015	1,580,068
Other current assets	61,597	51,994
Deferred income tax assets	44,143	43,069
	4,810,908	**4,105,349**
Non-current assets		
Long-term investments	932,375	687,665
Property, plant and equipment, net	9,436,150	8,382,478
Intangible assets, net	176,777	181,136
Goodwill	533,954	494,654
Deferred income tax assets	37,885	21,387
Other non-current assets	22,486	26,356
	11,139,62	**9,793,676**
Total assets	**15,950,53**	**13,899,02**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other liabilities	1,535,014	1,107,434
Short-term borrowings	543,755	525,559
Current income tax payable	62,075	18,803
	2,140,844	**1,651,796**
Non-current liabilities		
Deferred income tax liability	454,778	400,601
Long-term borrowings	2,070,177	2,098,863
Other long-term liabilities	14,309	193,951
	2,539,264	**2,693,415**
Total liabilities	**4,680,108**	**4,345,211**
Commitments and contingencies	**-**	**-**
Stockholders' equity		
NLMK stockholders' equity		
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at June 30, 2011 and December 31, 2010	221,173	221,173
Statutory reserve	10,267	10,267
Additional paid-in capital	306,391	98,752
Accumulated other comprehensive loss	(107,837)	(916,901)
Retained earnings	10,984,15	10,261,21
	11,414,14	**9,674,505**
Non-controlling interest	**(143,717)**	**(120,691)**
Total stockholders' equity	**11,270,42**	**9,553,814**
Total liabilities and stockholders' equity	**15,950,53**	**13,899,02**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Revenue	**5,341,145**	**3,853,128**
Cost of sales		
Production cost	(3,250,46	(2,196,64
Depreciation and amortization	(258,638)	(245,892)
	(3,509,09	**(2,442,53**
Gross profit	**1,832,046**	**1,410,591**
General and administrative expenses	(181,094)	(128,343)
Selling expenses	(427,248)	(330,492)
Taxes other than income tax	(71,188)	(60,607)
Operating income	**1,152,516**	**891,149**
Loss on disposals of property, plant and equipment	(22,239)	(13,609)
Losses on investments, net	(13,288)	(7,888)
Interest income	18,836	21,218
Interest expense	-	(9,147)
Foreign currency exchange gain / (loss), net	31,044	(134,002)
Other income / (expenses), net	3,229	(6,063)
Income before income tax	**1,170,098**	**741,658**
Income tax expense	(251,564)	(175,601)
Income, net of income tax	**918,534**	**566,057**
Equity in net earnings / (net losses) of associates	53,260	(5,582)
Net income	**971,794**	**560,475**
Add: Net loss attributable to the non-controlling interest	**7,611**	**29,590**
Net income attributable to NLMK stockholders	**979,405**	**590,065**
Income per share – basic and diluted:		
Net income attributable to NLMK stockholders per share (US dollars)	0.1634	0.0985
Weighted-average shares outstanding, basic and diluted (in thousands)	5,993,227	5,993,227

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	For the six months ended June 30, 2011	For the six months ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**971,794**	**560,475**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	258,638	245,892
Loss on disposals of property, plant and equipment	22,239	13,609
Losses on investments, net	13,288	7,888
Equity in (net earnings) / net losses of associates	(53,260)	5,582
Deferred income tax expense	5,968	18,444
Losses / (gains) on unrealized forward contracts	4,819	(920)
Other, net	(1,840)	35,015
Changes in operating assets and liabilities		
Increase in accounts receivable	(389,384)	(339,896)
Increase in inventories	(205,709)	(313,130)
Increase in other current assets	(5,160)	(2,945)
Increase in accounts payable and other liabilities	161,958	193,299
Increase in current income tax payable	43,173	25,384
Net cash provided by operating activities	**826,524**	**448,697**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and construction of property, plant and	(921,615)	(612,276)
Proceeds from sale of property, plant and equipment	7,274	5,764
Purchases of investments and placement of bank deposits	(257,846)	(118,143)
Withdrawal of bank deposits, proceeds from sale of other investments and loans settled	517,435	47,595
Prepayment for acquisition of interests in new subsidiaries	(150 000)	-
Net cash used in investing activities	**(804,752)**	**(677,060)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings and notes payable	249,839	538,594
Repayment of borrowings and notes payable	(354,093)	(610,307)
Capital lease payments	(25,458)	(26,251)
Proceeds from disposal of assets to the company under common control	313,246	-
Dividends to shareholders	(3,748)	(257)
Net cash provided by / (used in) financing activities	**179,786**	**(98,221)**
Net increase / (decrease) in cash and cash equivalents	**201,558**	**(326,584)**
Effect of exchange rate changes on cash and cash equivalents	(38,102)	32,721
Cash and cash equivalents at the beginning of the year	747,979	1,247,048
Cash and cash equivalents at the end of the period	**911,435**	**953,185**

x (1) EBITDA

$ million	6M 2011	6M 2010	Q2 2011	Q1 2011
Net profit attributable to NLMK shareholders	979	590	587	392
Minus:				
Equity in net losses of associate	53	-6	38	15
Net interest expense	19	12	9	9
Income tax	-252	-176	-144	-107
Loss on disposal of fixed assets	-22	-14	-16	-6
Impairment losses	0	0	0	0
Depreciation and amortization	-259	-246	-135	-124
Net foreign currency exchange	31	-134	8	23
Gains (losses) from financial Investments	-13	-8	-10	-3
Other expenses	0	0	0	0
EBITDA	1,422	1,161	837	585

(2) Sales by region in 2010-2011

Region	6M 2011	6M 2010	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Russia	2,105	1,627	1,126	979	1,023	1,054	887
EU	1,629	1,713	997	632	663	663	872
Middle East incl. Turkey	792	979	324	467	482	455	401
North America	664	690	313	350	189	503	476
Asia and Oceania	305	471	130	176	508	223	159
Other regions	414	208	246	168	155	123	117
TOTAL	**5,909**	**5,688**	**3,136**	**2,773**	**3,022**	**3,021**	**2,912**

(in '000 tonnes)

(3) Sales by products in 2010-2011

(in '000 tonnes)

Product type	6M 2011	6M 2010	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Pig iron	284	332	132	153	77	173	238
Slabs	1,871	1,833	1,156	715	1,112	889	825
Hot-rolled thick plates	209	170	106	103	95	84	103
Hot-rolled steel	1,159	1,257	504	655	535	632	612
Cold-rolled steel	718	829	371	348	342	356	422
Galvanized steel	264	242	124	139	172	161	152
Pre-painted steel	228	156	123	105	86	90	87
Transformer steel	111	85	55	55	57	55	48
Dynamo steel	154	110	76	77	81	78	67
Billets	81	94	29	52	96	73	63
Long products	707	475	389	318	316	367	238
Metalware	123	105	71	52	52	62	57
Total	**5,909**	**5,688**	**3,136**	**2,773**	**3,022**	**3,021**	**2,912**

(4) Revenue by region, 6M 2011

Region	Q2 2011*		Q1 2011*		6M 2011*	
	$ million	Share, %	$ million	Share, %	$ million	Share, %
Russia	1,227	41%	1,026	43%	2,252	42%
EU	783	26%	476	20%	1,259	24%
Middle East incl. Turkey	237	8%	367	16%	604	11%
North America	338	11%	222	9%	559	10%
Asia and Oceania	190	6%	113	5%	303	6%
Other regions	208	7%	155	7%	364	7%
TOTAL	**2,982**	**100%**	**2,359**	**100%**	**5,341**	**100%**

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

(5) Consolidated cost of production, 6M 2011

Type of expenses	Q2 2011		Q1 2011		6M 2011	
	$ mn	%	$ mn	%	$ mn	%
Iron ore	79	4.5%	69	4.7%	149	4.6%
Coke and coal	452	25.3%	347	23.7%	799	24.6%
Scrap	367	20.6%	319	21.8%	687	21.1%
Ferroalloys	73	4.1%	64	4.3%	136	4.2%
Other materials	72	4.0%	93	6.4%	165	5.1%
Electric energy	144	8.0%	138	9.4%	282	8.7%
Natural gas	69	3.9%	75	5.1%	144	4.4%
Other fuel materials	9	0.5%	29	2.0%	37	1.1%
Labor	203	11.4%	187	12.7%	390	12.0%
Other	260	14.6%	236	16.1%	497	15.3%
Changes in balances in finished and semi-finished products, work-in-progress and deferrals	57	3.2%	-92	-6.3%	-35	-1,1%
TOTAL	**1,785**	**100%**	**1,466**	**100%**	**3,250**	**100%**

(6) Working capital in 2010 and 6M 2011

$ million	30.06.2011	31.03.2011	31.12.2010	30.09.2010	30.06.2010	31.03.2010	31.12.2009
Current assets	**4,811**	**4,438**	**4,105**	**4,372**	**4,150**	**4,091**	**3,877**
Cash and cash equivalents	911	977	748	780	953	1,157	1,247
Short term investments	202	265	423	726	465	424	452
Accounts receivable	1,669	1,295	1,260	1,189	1,213	1,065	913
Inventories	1,923	1,784	1,580	1,564	1,401	1,324	1,134
Other current assets, net	106	116	95	114	117	120	131
Current liabilities	**2,141**	**1,831**	**1,652**	**1,802**	**1,640**	**1,533**	**1,417**
Accounts payable	1,535	1,252	1,107	1,171	1,058	963	841
Short-term debt	544	553	526	595	539	544	557
Other current liabilities	62	26	19	36	43	26	19
Working capital	**2,670**	**2,607**	**2,454**	**2,570**	**2,510**	**2,558**	**2,460**

Notes:

[1]Reporting periods of the company are 6M, 3M 2011, 6M, 3M 2010, and 12M 2010. Q2 2011 figures are derived by computational method. This assumption is related to calculation of segmental financial results.

[2]HVA products include plates, cold-rolled, galvanized, pre-painted and electrical steel, and metalware.

[3]EBITDA calculation is presented in Appendix 1, p.15

[4]Net profit attributable to NLMK shareholders

[5]Net debt is calculated as the sum of LT and ST credits and loans less cash and cash equivalents, as well as ST financial investments at period end

[6]Net debt / EBITDA is represented by net debt as at the end of the period and EBITDA is presented as Last 12 months EBITDA