Press release

5 August 2011

NLMK Group Q2 2011 RAS Financial Results

NLMK (LSE: NLMK) today announces its Q2 2011 Russian Accounting Standards (RAS) financial results for its major companies[1].

NLMK's major companies showed significant improvement in their Q2 2011 financial performance. Novolipetsk, NLMK's Parent company, reported a 36% increase in revenue to RUR60.5 billion; its operating profit increased 80% to RUR10 billion. The Company's net profit increased 4-fold to RUR28 billion. These improvements were driven by stronger operating results and one-off items (see page 3 for details). Operating results were supported by the seasonal recovery in the construction industry, higher sales volumes and product mix improvements.

***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 August 2011.*

Q2 2011 RAS Financial Results for NLMK Group,
('000 RUR, except for percentages)

Novolipetsk (NLMK's Parent company)

	Q2 2011	Q1 2011	Q2 2010	Change, % Q2 2011/ Q1 2011	Change, % Q2 2011/ Q2 2010
Revenue	60 594 089	44 498 123	46 777 573	36.17%	29.54%
Gross profit	15 644 036	10 345 926	14 464 778	51.21%	8.15%
Operating profit	10 182 539	5 648 334	9 540 953	80.28%	6.72%
Net profit	28 063 781	6 962 482	11 688 153	303.07%	140.10%

[1] *VIZ-Stal, Stoilensky, NSMMZ (key asset of our Long Products Division), and Altai-Koks*

VIZ-Stal

	Q2 2011	Q1 2011	Q2 2010	Change, % Q2 2011/ Q1 2011	Change, % Q2 2011/ Q2 2010
Revenue	2 182 884	2 266 190	2 840 815	-3.68%	-23.16%
Gross profit	320 784	318 734	980 404	0.64%	-67.28%
Operating profit	94 913	84 583	768 879	12.21%	-87.66%
Net profit	77 356	47 195	646 698	63.91%	-88.04%

Stoilensky

	Q2 2011	Q1 2011	Q2 2010	Change, % Q2 2011/ Q1 2011	Change, % Q2 2011/ Q2 2010
Revenue	10 818 849	8 299 087	7 608 823	30.36%	42.19%
Gross profit	8 311 939	6 057 811	5 606 554	37.21%	48.25%
Operating profit	7 813 323	5 729 454	5 331 785	36.37%	46.54%
Net profit	6 235 329	4 610 229	4 253 149	35.25%	46.60%

Altai-Koks

	Q2 2011	Q1 2011	Q2 2010	Change, % Q2 2011/ Q1 2011	Change, % Q2 2011/ Q2 2010
Revenue	10 280 286	8 988 115	8 554 969	14.38%	20.17%
Gross profit	2 133 579	2 122 515	3 180 518	0.52%	-32.92%
Operating profit	1 446 362	1 577 201	3 014 545	-8.30%	-52.02%
Net profit	1 142 486	1 246 312	2 391 266	-8.33%	-52.22%

NSMMZ[2]

	Q2 2011	Q1 2011	Q2 2010	Change, % Q2 2011/ Q1 2011	Change, % Q2 2011/ Q2 2010
Revenue	9 612 749	8 787 521	6 077 537	9.39%	58.17%
Gross profit	1 252 109	1 789 338	1 372 924	-30.02%	-8.80%
Operating profit	119 767	687 307	653 720	-82.57%	-81.68%
Net profit	-811 007	-399 153	-673 384	103.18%	20.44%

[2] *NSMMZ is the key asset of NLMK's Long Products Division*

Key Results

- **Novolipetsk improves its financial results**

The Company's revenue increased 36%, supported by the seasonal improvements in market conditions that provided higher sales volumes and prices. Novolipetsk's sales to both domestic and export markets increased.

Gross profit and operating profit margins increased by 4 p.p. This was mainly factored by higher HVA product sales to the domestic market which in turn were supported by the launch of the new pre-painting line (200,000 tpa capacity).

The Company also increased its export sales, mainly as a result of increased slab deliveries (+22% quarter-on-quarter).

Q2 net profit was up 4-fold quarter-on-quarter and 2.4-fold year-on-year to RUR28,064 million. This increase was mainly driven by the divestment of the Independent Transportation Company (NTK), as well as the reduction of valuation provisions.

- **Net profit growth for VIZ-Stal**

Transformer steel sales were down due to a delay in the recognition of export sales, resulting in a non-significant reduction in the Company's revenue. In year-on-year terms, revenue reduced by 23% as a result of lower sales volumes and prices.

Operating profit decreased by 12% mainly as a result of lower SG&A expenses.

Other expenses (mainly FX losses) were also reduced, resulting in a 64% increase of VIZ-Stal's net profit.

- **Improved financial results for Stoilensky**

Increased sales of iron ore concentrate and sinter ore, as well as higher sales prices, drove the Company's revenue up significantly (+30% quarter-on-quarter).

Tight cost control along with higher prices and volumes allowed the Company to increase its operating profit and operating profit margin by 37% and 3 p.p.

These factors also predetermined the year-on-year improvement of Stoilensky's financials. The Company's revenue increased by 42%, while net profit was up 46%.

- **Insignificant reduction in Altai-Koks' profit**

Demand for Altai-Koks' products was strong both from Novolipetsk and from third party customers. The Company's revenue increased 14% quarter-on-quarter as a result of higher sales volumes and prices on the back of the improved market environment.

Altai-Koks' operating profit margin decreased by 8p.p. to 14%. This was caused by raw material – coking coal – prices outpacing coke prices. The reduction in the Company's operating profit resulted in a lower net income (-8% quarter-on-quarter).

- **Higher revenues for NSMMZ**

In Q2 the Company's revenue increased by 9%. Seasonally stronger construction sector demand along with higher rolling capacity utilization rates (including Mill-150 in Berezovskiy) positively contributed to the growth.

Operating profit was 82% lower quarter-on-quarter as a result of growing production costs associated with higher raw material (scrap) prices on the back of stable sales prices for steel.

Interest expenses and a high level of debt were the key factors behind the Company's net loss.

In Q3 the Company is planning to repair one of its two Electric Arc Furnaces. Therefore the utilization rate for the remaining operating furnace will be increased. Given the stable demand for long products, the Company will use billets purchased from third parties to execute all the existing orders and to maintain the utilization rates for its existing rolling capacities.

NLMK

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