PRESENTATION OF THE FINANCIAL AND OPERATING RESULTS FOR Q1 2011

TRANSCRIPT[1]

NLMK

Thursday, 09 June 2011

14:00 Hrs UK time

Participants:

Galina Aglyamova, CFO

Anton Bazulev, Director for External Communications

Sergey Takhiev, Head of Investor Relations

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Sergey Takhiev

Good morning, ladies and gentlemen. Welcome to the conference call. I am Sergey Takhiev, Head of Investor Relations of NLMK. Today I am joined by Ms Galina Aglyamova, our CFO, and Anton Bazulev, Director for External Communications. Polina Minor will assist us today with translation.
We are pleased to present our Q1 2011 results today. The presentation is available on our website, www.nlmkgroup.com, from where it can be downloaded. Before we start the presentation I would like to bring your attention to the disclaimer and its importance for today's conference call. We start on page three. I shall go through the major part of the presentation, and then we will be happy to take your questions.

Page 3 (KEY HIGHLIGHTS)

Ladies and gentlemen, today we would like to present our Q1 2011 US GAAP financials. We've seen strong results, with revenue of about $2.4 bn, EBITDA of $585 m (+19%), EBITDA margin of 25% and net income reaching $392 m.
Despite this considerable growth, production costs remained under control with a decline of 1% on quarterly basis.
Average selling price increased by 11% to $745/t reflecting improved market sentiment and better product mix in the first quarter.

[1] This text represents only a part of the transcript of the presentation.

Efficient vertical integration and stringent cost management kept the Company among lowest cash cost producers in the industry with a slab cash cost of $361/t.

PAGE 4. PRODUCTION

In Q1 production was lower due to scheduled maintenance works, but on average we managed to maintain utilization rates at above 95% across the main producing units.
In Q2 we expect to sequentially improve production volumes coming back to the maximum capacity load. The key growth is expected at Long steel division driven mostly by a seasonal pick up in construction sector.

PAGE 5. SALES AND REVENUE

Q1 sales revenue sequentially improved by 4% to about $2.4 bn. This growth was achieved despite 8% decline in sales volumes. Key factors impacting our sales in the quarter were largely related to higher steel prices that started to grow in early this year and better product mix.
We virtually restored our sales to domestic market to pre-crisis levels, its share in Q1 increased to 43%.

PAGE 6. KEY DRIVERS

Our performance during the quarter was largely driven by

- Better demand in the local market largely caused by a speculative activity anticipating price growth in early 2011
- Improved product mix as the company improved its exposure to domestic market as well as resulting from expanded rolling capacities – new rolling mill at Berezovsky launched in late 2010 and new pre-painted line at Lipetsk launched in March
- Higher prices for steel products mostly driven by increased costs of production as the raw materials globally posted significant growth;
- Profitability of our sales improved as the company managed to maintain its production costs in check

As the company recognizes its sales with delay the growth in prices will be also seen in the second quarter as well despite some softening in the pricing environment visible starting from March.

Page 7 COSTS

As we commented at our last conference call, vertical integration and tight cost controls at all production stages make NLMK one of the leading global steelmakers in terms of production costs.
Cash cost per tonne of slab in Q1 2011 was $361/t, a 10% growth quarter-on-quarter which was largely due to one off factors such as increase in tariffs for the services of natural monopolies and stronger

ruble as well as growth in raw material prices. However, inventories formed in the preceding quarter at lower prices helped the Company to keep its production costs on check.

Page 8 DEBT POSITION

The Company's strong cash flow generation allowed it to retain high levels of financial stability and enables it to flexibly approach the way it finances its growth projects.
Gross debt position stays at $2.6 bn, 21% of which is a short term debt. Long term debt is mainly presented by company's 3-year RUB bonds issues, a Euro 125 million loan granted by EBRD and part of a 5-year debt facility of 1.6 bn company attracted in 2008 at Libor + 1.2%.

Net debt-to-12Months Ebitda stands at 0.54. Company has a liquid position of $1.2 bn of cash and equivalents which is 50% higher than the company's short term obligations.

PAGE 9 INVESTMENTS

We continued to invest in key projects during quarter. Total Q1 2011 capex was $0.4 billion.

We continued the construction of blast furnace number seven with a total capacity of 3.4 million tonnes located at our Lipetsk plant. The furnace is scheduled to be operational in the third quarter 2011.

We continued construction of convertor, ladle furnaces and a vacuum degasser. By the end of the year we will be able to process all the crude steel we produce. We are about to launch a new continuous casting machine of 2 m t a year capable to produce wide slabs of 350x2200 mm.

In the downstream we further progress with the expansion of capacities producing value added products. Early this year we boosted our pre-painted steel capacities by 55% that will see us control over 40% of the color-coated steel market. Late last year we put into operation a rolling mill for long products production that allows us to fully process the billets we are producing now.

Last year we continued the upgrade of our transformer steel production. In 2012 about 60,000 tonnes of high permeability transformer steel will be produced in our Lipetsk plant. At VIZ-Stal, our electrical steel producer, we are also planning to apply this technology to enable us to produce 70,000 t of high permeability transformer steel. This will allow us to penetrate the market deeper and to improve supply to our regular and new customers.

We are also revamping our rolling facilities and for HRC production we will add about 400,000 tonnes of capacity in the next three years. So, the hot-rolling capacity will rise to 5.7 million tonnes at our Lipetsk plant.

At DanSteel we plan to increase our capacity and add new grades of the plates thus entering new market niches.

We also revisited the project of investment into the Zhernovskoye-1 coking coal field. We are planning to launch the facility, which will produce 3.6 m tpa of concentrate in 2015-16. Another project in our coal segment is the development of Usinskoe in Northern part of Russia. The facility is expected to be operational in 2018 with 2.7 m tpa of concentrate capacity.

We continue to invest in our mining operations at Stoilensky - earlier this year the Company approved a project to build a pelletizing plant with 6 m tpa capacity operational in 2014. This will allow us to FULLY cover iron ore requirements including pellets needs.

OUTLOOK

We expect our production to grow by about 10% as we boost our steelmaking capacities and the effect of this will be reflected already this year.
The pricing environment will remain volatile throughout the year. However we do not anticipate any sizable drop in prices going forward as production costs remain excessively high driven by surging raw materials globally.
We are relatively optimistic about local demand as steel consumption this year is approaching its pre-crisis levels and may grow by at least 5% to 37-38 million tonnes.
Getting back to our future performance, in Q2 2011 steel production will be about 3 million and, sales revenue may increase by 10% reflecting higher prices, the EBITDA margin will be in the range of 25-30%. In absolute terms, Q2 EBITDA may grow by 20-25%.
With this I will conclude the presentation and give the floor for your questions. Thank you.

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