



NOVOLIPETSK STEEL



Investor Presentation

UFG Conference - "Russia: One-on-One"

February 2006

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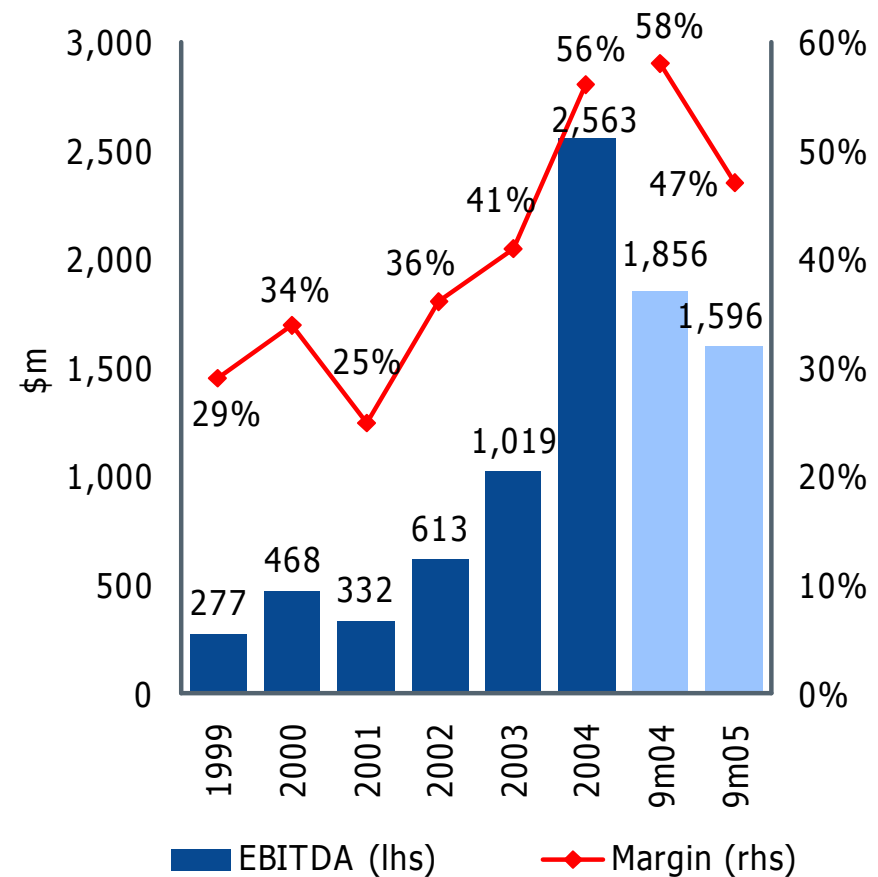
Company highlights



Key facts

- Highly vertically integrated and lowest-cost producer
- 43% high value-added products
- 58% of sales to export markets
- \$2.1bn spent since 2000 on technical development and acquisitions
- 47% EBITDA margin
- \$1.91bn net cash position provides for strategic flexibility

EBITDA



Note:
 1 FY2004, all other figures through the presentation are 9m2005 unless otherwise stated

One of the most profitable steel companies in the world



Favorably located production facilities



- **Single site steel** production
- 350 km proximity to own iron ore mines
- Major customers located within 1,500 km from our plant
- Access to logistics and sea ports



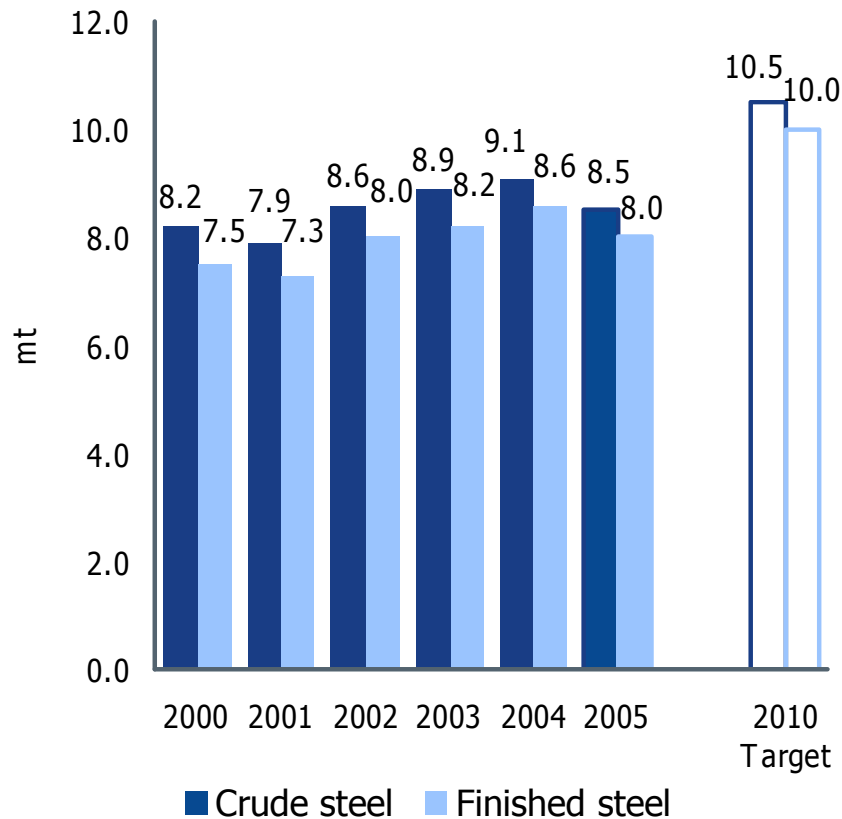
- ◆ NLMK Group companies
- 🚢 Sea ports
- Area of major export routes and NLMK's customers



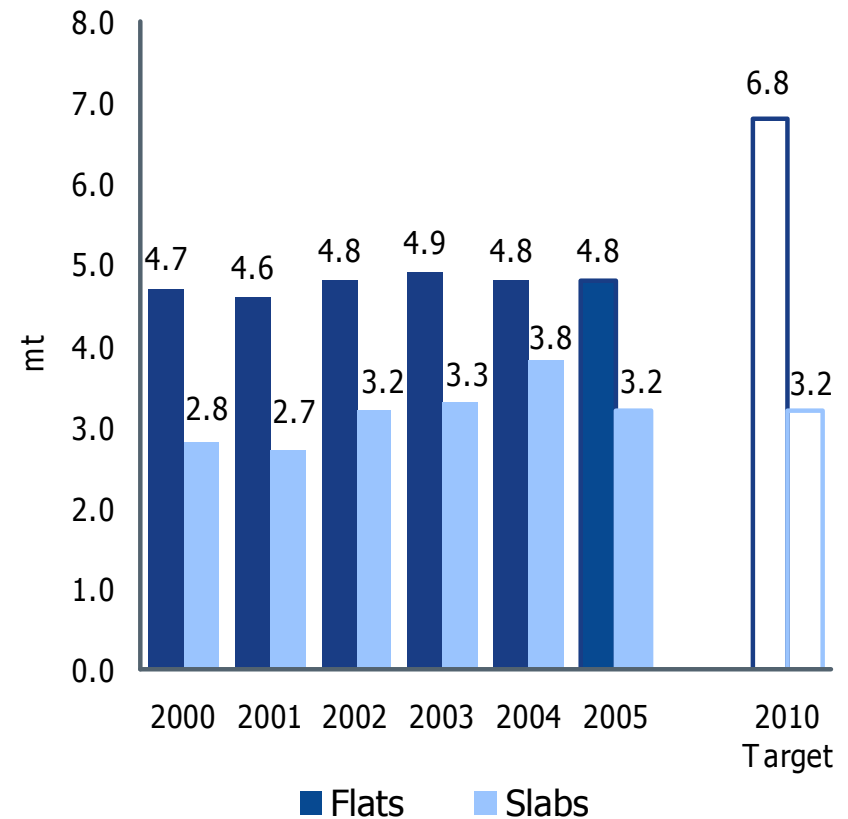
Stable and growing production profile



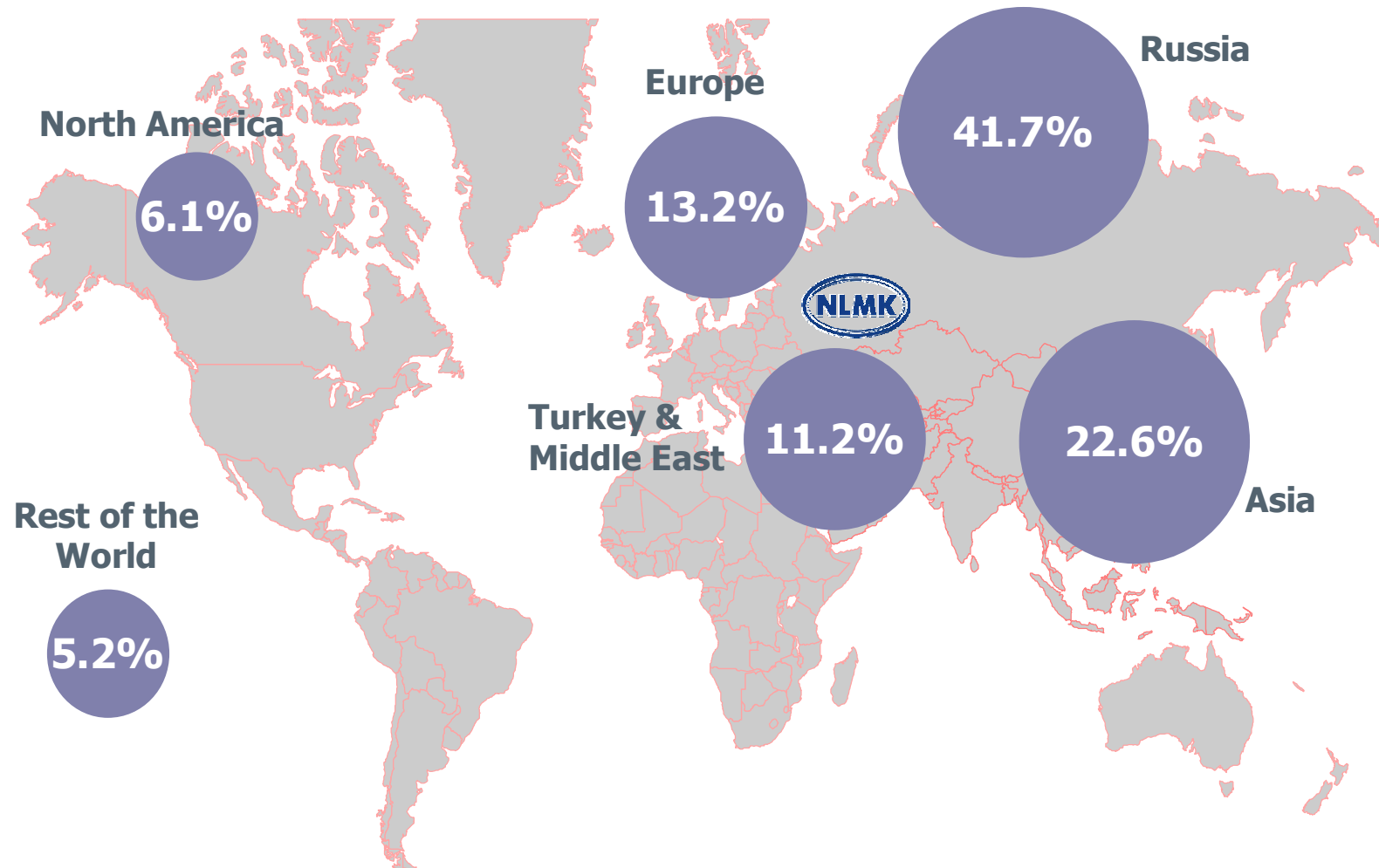
Steel production



Finished steel output



A global diversified steel supplier¹



Note:
1 9m 2005 revenues

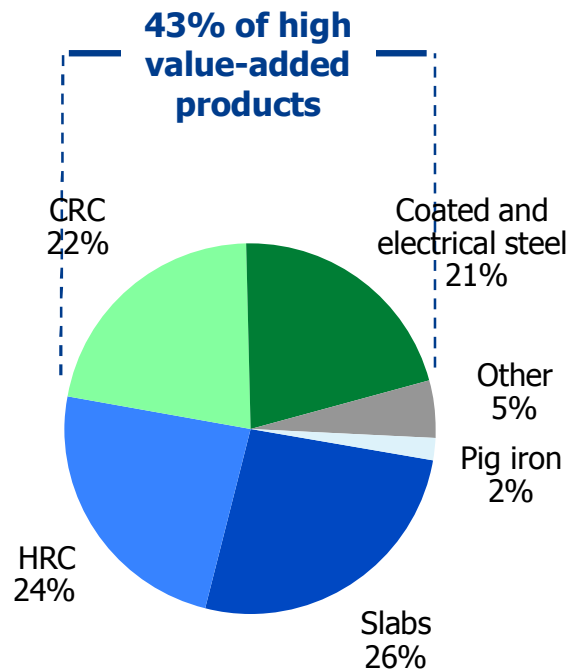


Well-diversified sales portfolio by geography...

Leading Russian flat steel producer with global reach



Balanced steel production



| | | Rank | Market share | |
|-------------------------------|------------------|--------------------------|--------------|-----|
| RUSSIA | Hot Rolled Coil | #3 | 15% | |
| | Cold Rolled Coil | #1 | 34% | |
| | Electrical steel | #1 | 45% | |
| | Coated steel | - Pre-painted steel | #1 | 36% |
| | | - Galvanized rolled coil | #3 | 17% |
| 42% of 9m2005 revenues | | | | |
| GLOBAL | Slabs | #1-2 | c. 14% | |
| | Other | | n/a | |
| 58% of 9m2005 revenues | | | | |

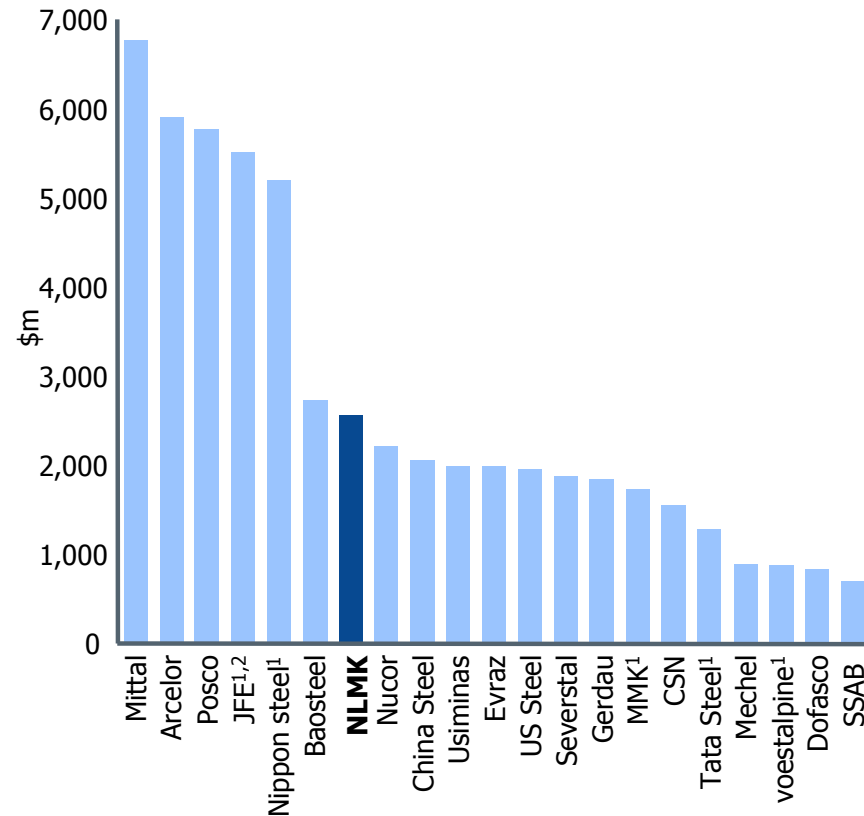
...and by product enables NLMK to target the most profitable market segments



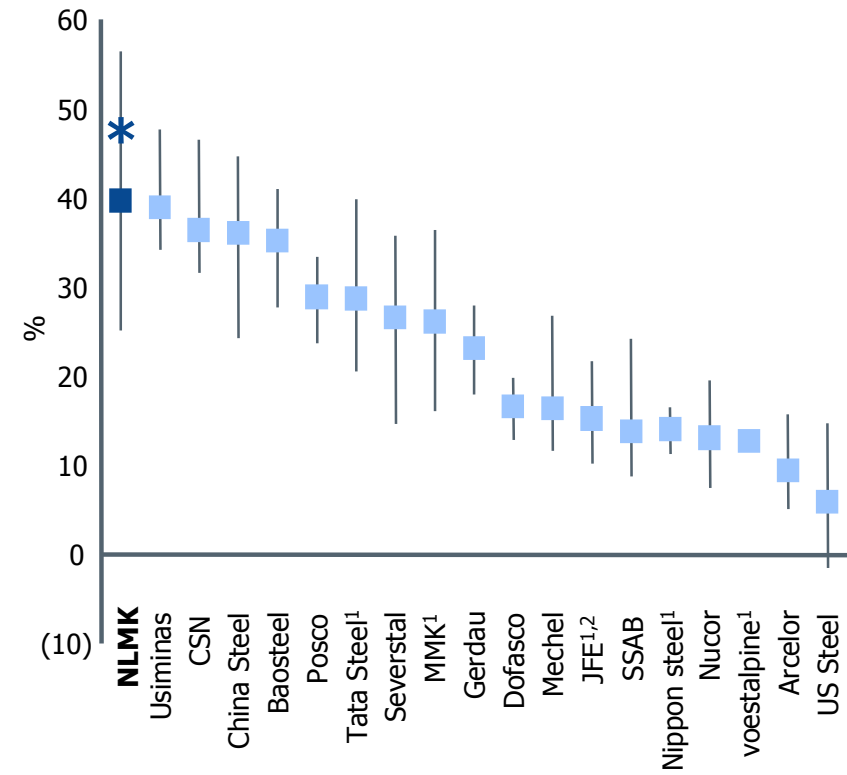
Solid EBIDTA margins



EBITDA (2004)



Peak-trough EBITDA margins (2001-2004)



Source: Company

Note:

¹ Annualised to 31 December 2004

² 2001 and 2002 figures are pro-forma combined Kawasaki Steel and NNK

■ Mid point - average EBITDA margin 2001 - 2004

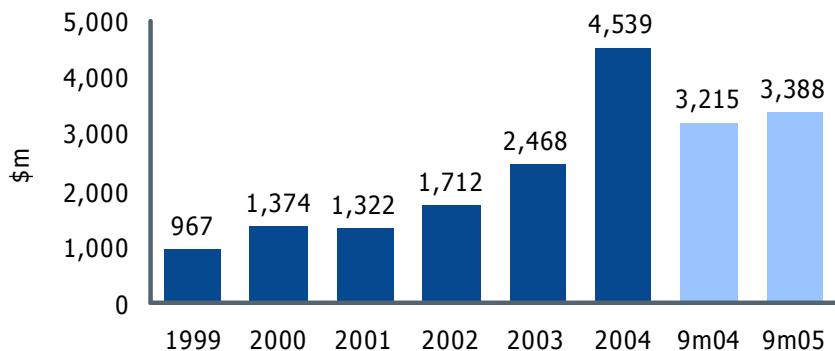
* NLMK 9m05

Among the largest steel companies with best-in-class profitability throughout the cycle

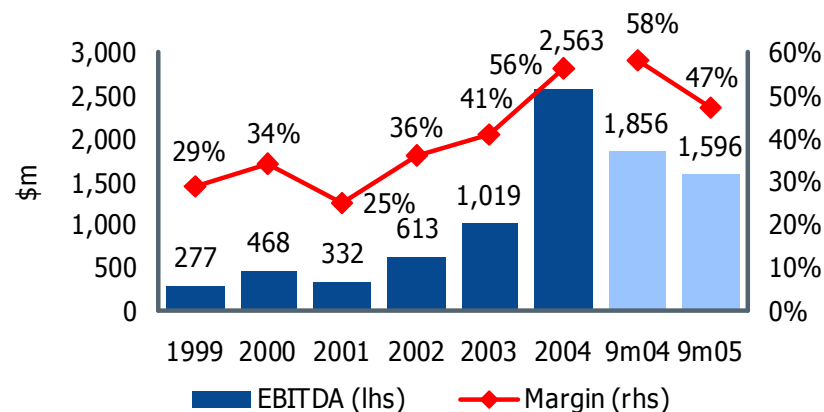


Track record of strong financial performance

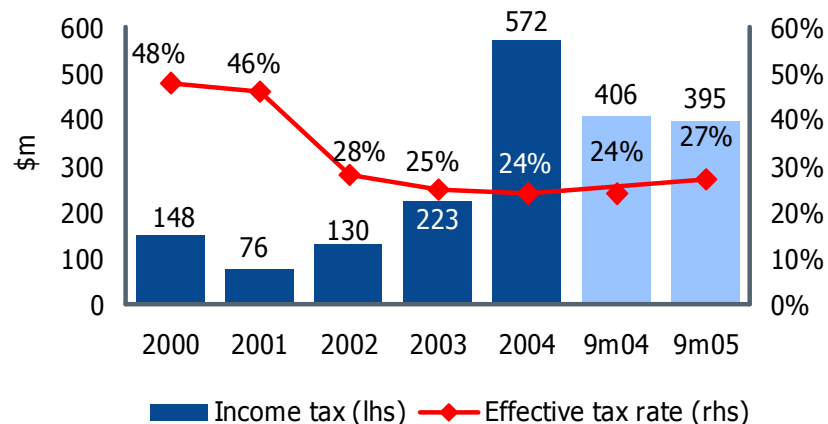
Sales



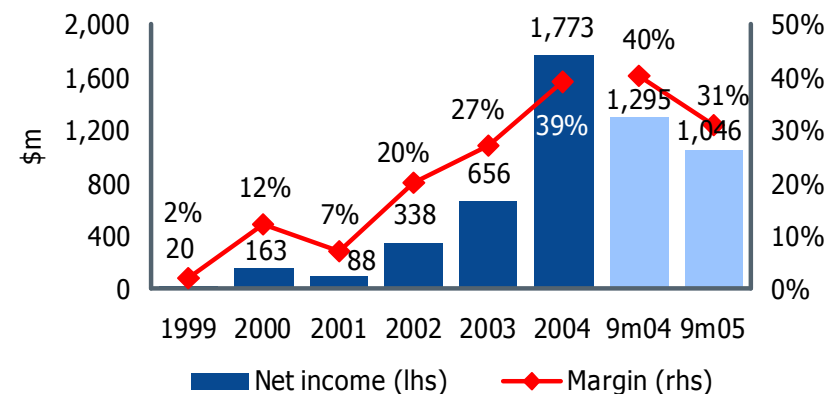
EBITDA¹



Income Taxes



Net income



Note:

¹ EBITDA = Net income (post minorities) + income tax - interest earned + losses on disposal + depreciation



Vertically integrated across the value chain



**Mining
operations**

- ➔ **90% self-sufficient in iron ore**
 - Third largest iron ore producer in Russia with 12.6 mt annual output
- ➔ To become **50% self-sufficient in coal** by 2009



**Steel
operations**

- ➔ **85-90% self-sufficient in coke**
- ➔ **Rolling facilities of 0.5 mt in Denmark**
- ➔ **35% of electricity generated on site**
 - Considering plans to achieve full self sufficiency



Logistics

- ➔ Own transport operator
 - 2,000 railcars

Vertically integrated group structure maximising profitability

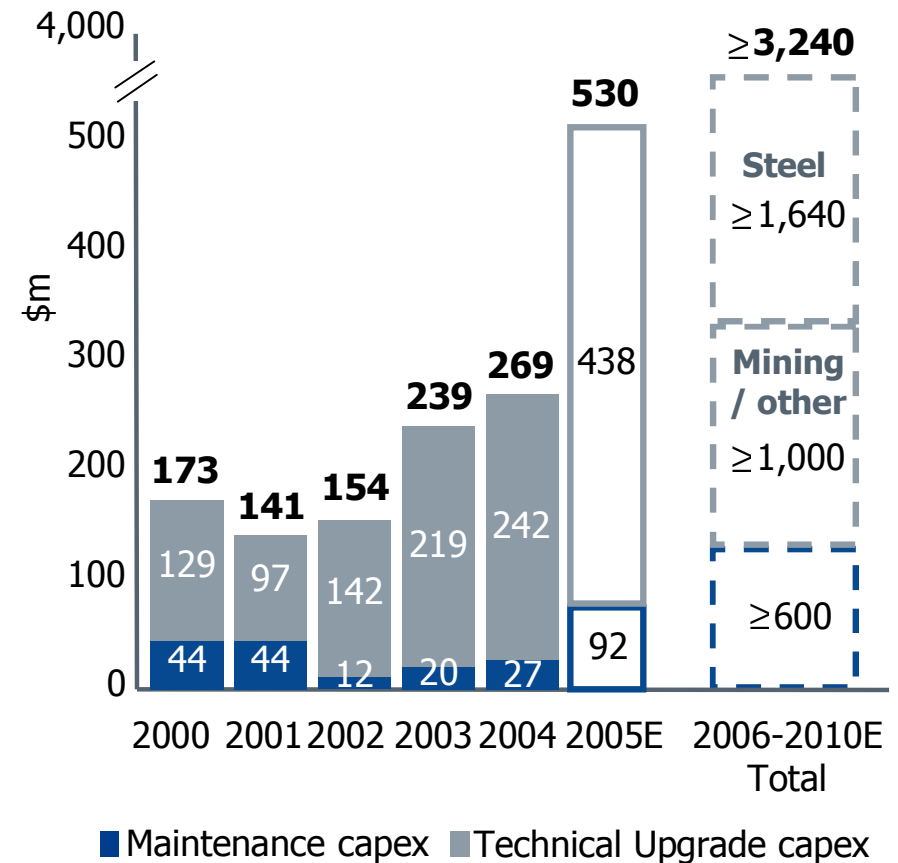


Maintaining technical edge

2006-2010 Technical Upgrade Program

| | (\$m) | Target |
|----------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Steel | 1,640 | <ul style="list-style-type: none"> ➔ Production capacity expansion ➔ Downstream debottlenecking ➔ Increase value-added content and quality |
| Iron ore | 570 | <ul style="list-style-type: none"> ➔ Full self-sufficiency ➔ Increase value-added iron ore production |
| Coal | 430 | <ul style="list-style-type: none"> ➔ 50% self-sufficiency ➔ Income growth from coal sales to third parties |

Capex



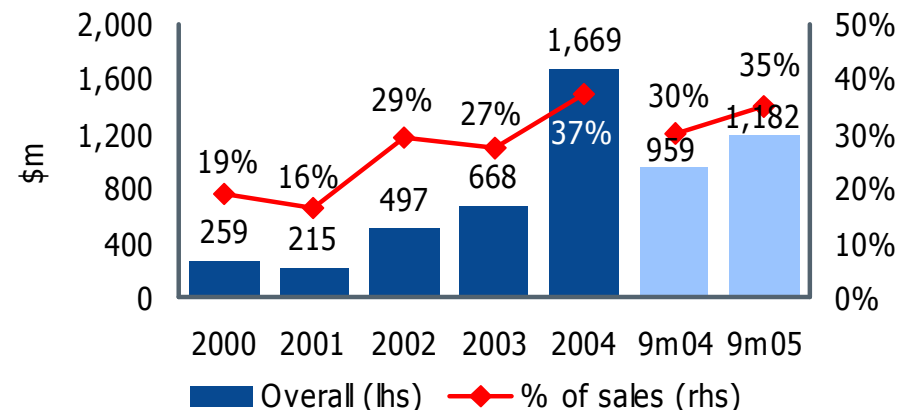
NLMK's Technical Upgrade Program is a disciplined investment approach supporting long term development of the company



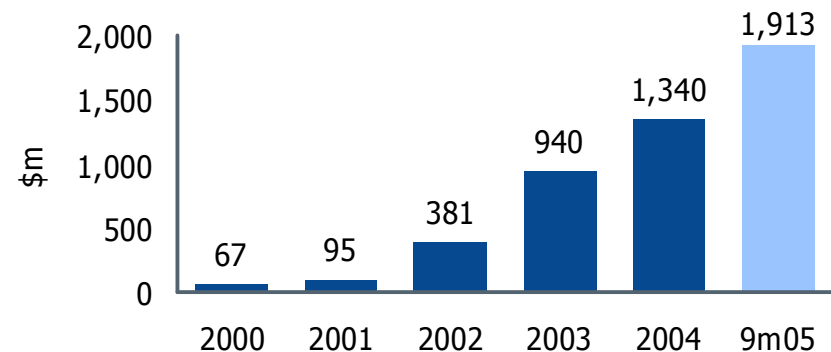
Strong balance sheet to support growth

- Sound cash flow generation
- \$1.91bn net cash position provides significant financial flexibility to:
 - Fund Technical Upgrade Program (2006-2010)
 - Pursue value enhancing M&A opportunities
 - Pay dividends in line with dividend policy
- NLMK has one of the highest credit ratings among Russian corporates (BB/Ba2)
 - The highest rated Russian steel company

Operating cashflow



Net Cash¹



Notes:

1 Not adjusted for 12% Lebedinsky stake

Successful execution of NLMK's growth strategy to help optimise capital structure



2006 Developments



NLMK Continuous Dynamic Growth Strategy



NLMK has acquired DanSteel A/S:

- Independent valuation of the deal by KPMG
- Production of finished value added products
- \$104 million paid for half a million tonnes of annual production capacity

NLMK has completed the disposal of Lebedinsky GOK:

- Active management of the asset portfolio
- \$400 million cash transaction
- Additional resource for implementing strategic goals/dividends payment



NLMK has agreed to acquire additional 25% stake in KMA Ruda:

- Bringing NLMK's total ownership to a controlling stake of 58%
- Consolidation of KMA Ruda on the balance sheet

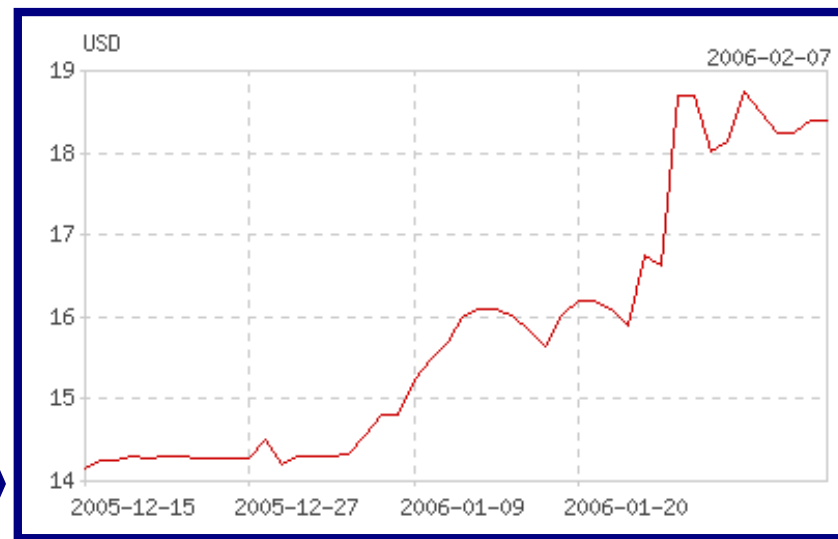


IPO Highlights

- The offer comprises 44,730,750 Global Depository Shares (GDSs) (including the exercise of the over-allotment option), representing 7.46 % of the existing issued ordinary share capital.
- The offer price has been set at \$14.50 per Global Depository Share (GDS), implying a market capitalization of \$8.7 billion and an offer size of \$609m.
- The NLMK's capitalization rose to \$11.0 billion since the commencement of unconditional trading on December 15th, 2005.

NLMK's GDS Performance:

Offer Price
\$14.50



Current Price
\$18.40 (+27%)



A favorable outlook



Near term

- ◆ Favorable steel price environment going into 2006
- ◆ Continued demand from key markets
- ◆ Raw material increase to favor vertically integrated players

Long term

- ◆ Improved industry fundamentals
- ◆ Potential for a sector re-rating
- ◆ De-localization benefiting low cost countries
- ◆ Sustainable growth of Russian domestic demand
- ◆ Accelerating industry consolidation

NLMK is well positioned to capitalise on current industry trends

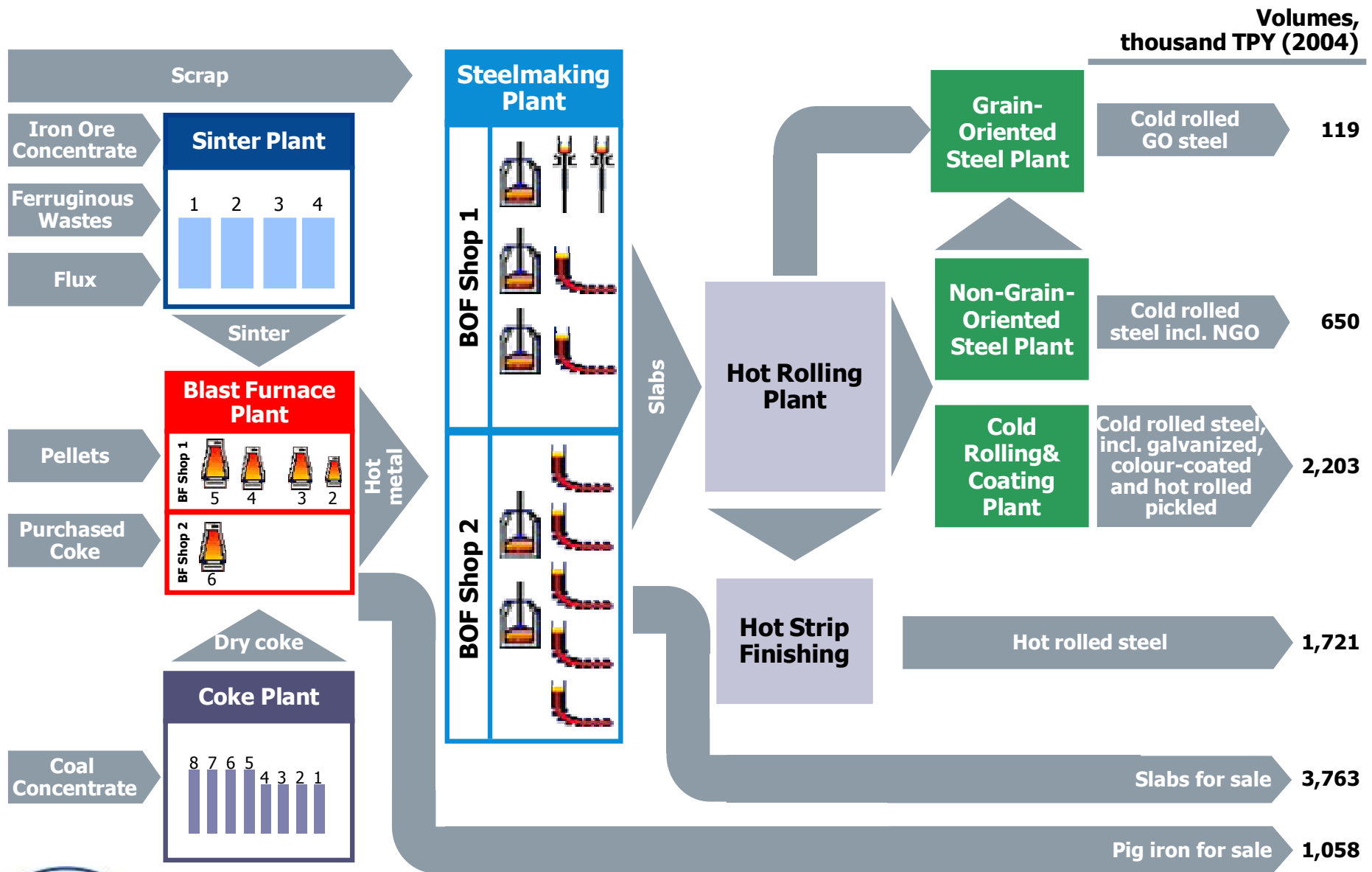




Supplementary Materials



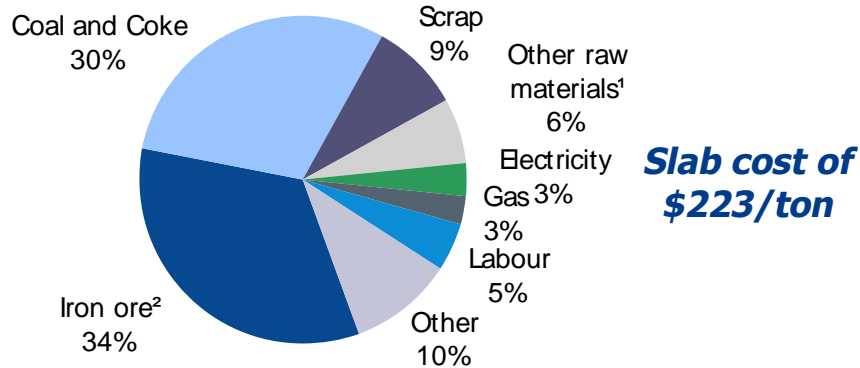
NLMK's facilities flowchart



Leveraging sustainable low production cost base

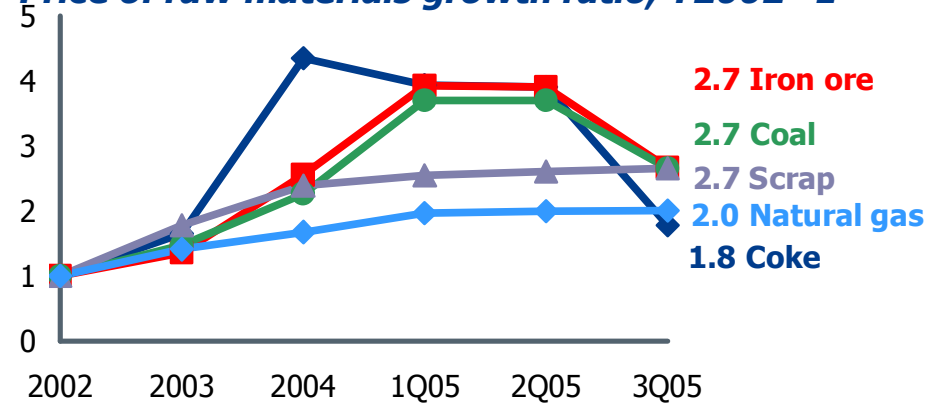
79% of costs are raw materials

9m2005 steel operating cash cost breakdown

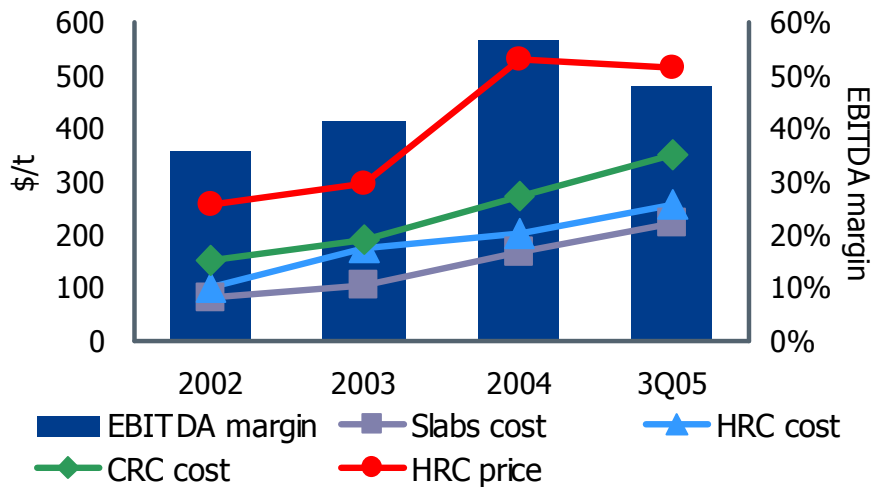


Raw material cost evolution

Price of raw materials growth ratio, Y2002=1



Effective cost control

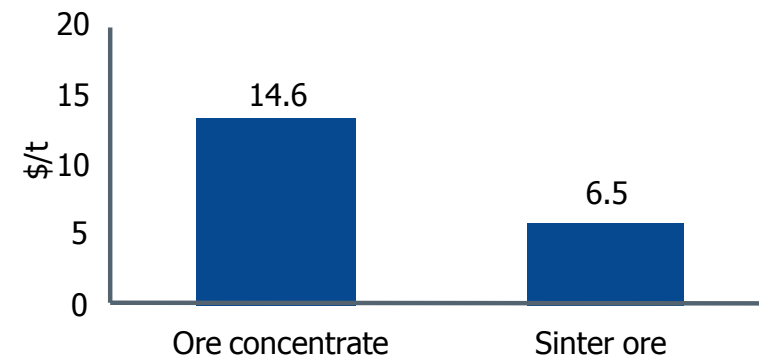


Note:

- 1 Other raw materials include limestone, etc.
- 2 Based on market prices

Benefits of vertical integration

9m2005 Stoilensky cash cost of production



NLMK enjoys a key competitive advantage due to its low cost base



Self-sufficient in iron ore



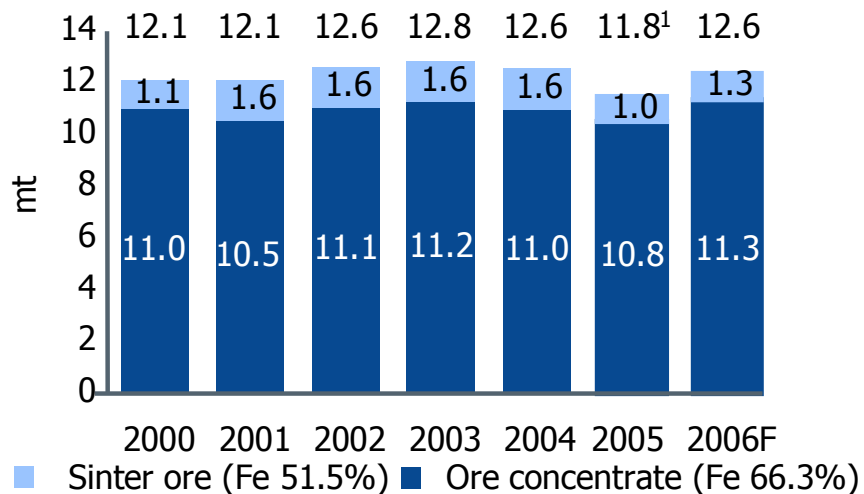
Stoilensky GOK

- Third largest producer in Russia
- 97% owned by NLMK, acquired in 2004
- 2004 production of 12.6 million tons
- Low cost producer
- Sufficient reserves to sustain production for 60 years

Technical Upgrade Program

- Upgrade program focused on equipment replacement, investments in the fourth section of enrichment, tailings and new pelletizing plant
- Establish 3 mt-pellet production capacity
- \$570m investment program for five years

Production profile



Note:

1 Temporary decrease in production driven by equipment refurbishment

KMA-Ruda GOK

- 58% owned by NLMK
- 2004 production of 1.8 million tons



Consolidated Income Statement

| \$m | 2000 | 2001 | 2002 | 2003 | 2004 | 9m '04 | 9m '05 |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Sales | 1,374.1 | 1,322.4 | 1,711.7 | 2,468.0 | 4,538.7 | 3,215.2 | 3,387.7 |
| Cost of Sales | (894.5) | (1,048.6) | (1,096.4) | (1,451.1) | (2,132.4) | (1,533.8) | (1,758.6) |
| Gross Profit | 479.5 | 273.8 | 615.3 | 1,016.9 | 2,406.3 | 1,681.4 | 1,629.1 |
| SG & A | (118.6) | (68.4) | (103.4) | (134.6) | (183.5) | (116.4) | (196.7) |
| Operating Income | 360.9 | 205.4 | 511.9 | 882.3 | 2,222.9 | 1,564.9 | 1,432.6 |
| Loss on disposals of PP&E | (0.5) | (15.6) | (8.9) | (7.9) | (12.2) | (6.1) | (6.9) |
| Gain/(Loss) on Investments | (12.5) | 0.5 | (2.7) | 12.1 | 165.2 | 141.2 | (1.1) |
| Net Interest Income | (7.1) | 6.3 | 10.8 | 26.3 | 37.8 | 24.2 | 62.3 |
| FX loss, net | (11.2) | (21.4) | (18.2) | (43.0) | (39.1) | (5.2) | (19.0) |
| Other | (18.7) | (12.7) | (26.1) | 12.0 | (10.5) | (2.7) | (8.2) |
| Pre-tax Profit | 310.9 | 162.5 | 466.9 | 881.7 | 2,364.0 | 1,716.3 | 1,459.8 |
| Equity share in income from affiliates | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 3.6 |
| Taxes | (148.4) | (75.5) | (129.7) | (223.0) | (572.2) | (405.7) | (394.8) |
| Minority Interests | 0.5 | 0.5 | 1.2 | (2.2) | (19.3) | (16.1) | (22.7) |
| Net Income | 163.1 | 87.5 | 338.4 | 656.5 | 1,772.5 | 1,294.6 | 1,045.8 |
| EBITDA | 468.0 | 332.0 | 612.5 | 1,019.0 | 2,562.8 | 1,855.9 | 1,595.7 |



Consolidated balance sheet



| \$m | 2000 | 2001 | 2002 | 2003 | 2004 | 9m '05 |
|---------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS | | | | | | |
| Current Assets | 562.8 | 616.7 | 944.0 | 1,675.9 | 2,587.5 | 3,262.9 |
| Of which: | | | | | | |
| Cash and cash equivalents | 159.2 | 190.0 | 383.0 | 729.6 | 1,348.6 | 1,932.7 |
| Accounts receivable, net | 236.4 | 240.0 | 266.2 | 377.7 | 588.6 | 624.8 |
| Inventories, net | 164.0 | 180.0 | 210.6 | 301.3 | 475.3 | 500.0 |
| Other | 3.2 | 6.6 | 84.2 | 267.2 | 175.0 | 205.4 |
| Non-Current Assets | 1,265.6 | 1,279.6 | 1,255.0 | 1,409.3 | 2,578.4 | 2,703.7 |
| Of which: | | | | | | |
| Property, plant and equipment, net | 1,197.2 | 1,174.7 | 1,167.7 | 1,332.6 | 2,257.6 | 2,375.3 |
| Goodwill | 1.0 | 1.0 | 0.0 | 0.0 | 179.8 | 175.0 |
| Other | 67.3 | 103.9 | 87.2 | 76.8 | 141.0 | 153.4 |
| Total Assets | 1,828.3 | 1,896.2 | 2,199.0 | 3,085.3 | 5,165.9 | 5,966.6 |
| LIABILITIES | | | | | | |
| Current Liabilities | 159.3 | 210.9 | 172.9 | 280.8 | 533.9 | 730.5 |
| Of which: | | | | | | |
| Short-term borrowings | 24.1 | 92.4 | 3.3 | 2.8 | 5.3 | 5.1 |
| Short-term capital lease liability | 0.0 | 0.0 | 1.7 | 6.1 | 0.2 | 0.0 |
| Accounts payable and other liabilities | 129.4 | 108.2 | 150.8 | 248.9 | 449.7 | 699.2 |
| Current income tax liability | 5.8 | 10.3 | 17.1 | 23.0 | 78.6 | 26.2 |
| Non-Current Liabilities | 98.2 | 22.9 | 22.0 | 177.9 | 325.7 | 356.7 |
| Of which: | | | | | | |
| Long-term borrowings | 68.1 | 3.2 | 3.0 | 1.7 | 3.8 | 14.6 |
| Long-term capital lease liability | 0.0 | 0.0 | 2.5 | 11.6 | 0.3 | 0.0 |
| Deferred income tax liability | 28.0 | 19.8 | 15.5 | 159.7 | 305.5 | 309.6 |
| Other | 2.1 | 0.0 | 1.0 | 4.9 | 16.2 | 32.3 |
| Total Liabilities | 257.5 | 233.8 | 194.9 | 458.7 | 859.6 | 1,087.2 |
| Minority Interest | 7.7 | 10.4 | 12.9 | 16.7 | 85.8 | 86.4 |
| Stockholders Equity | 1,563.1 | 1,652.0 | 1,991.2 | 2,609.9 | 4,220.5 | 4,793.0 |
| Share Capital | 15.1 | 15.1 | 15.2 | 15.2 | 232.1 | 263.6 |
| Other comprehensive income | 1.7 | 3.0 | 3.7 | 27.7 | 242.4 | 120.0 |
| Retained earnings | 1,546.4 | 1,633.9 | 1,972.3 | 2,567.1 | 3,746.0 | 4,409.5 |
| Total Liabilities and Stockholders' Equity | 1,828.3 | 1,896.2 | 2,199.0 | 3,085.3 | 5,165.9 | 5,966.6 |



Consolidated cash flows



| \$m | 2000 | 2001 | 2002 | 2003 | 2004 | 9m '04 | 9m '05 |
|-------------------------------------------------------------|---------------|----------------|----------------|----------------|------------------|----------------|----------------|
| Net Income | 163.1 | 87.5 | 338.4 | 656.5 | 1,772.5 | 1,294.6 | 1,045.8 |
| Minority Interests | (0.5) | (0.5) | (1.2) | 2.2 | 19.3 | 16.0 | 22.6 |
| Equity share in income of affiliates | 0.0 | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | (3.6) |
| Depreciation and amortization | 149.1 | 159.7 | 146.3 | 157.8 | 243.7 | 173.8 | 210.6 |
| Impairments and loss of disposals of PP&E | 0.5 | 15.6 | 8.9 | 7.9 | 12.2 | 6.0 | 6.9 |
| (Gain)/Loss on investments | 12.5 | (0.5) | 2.7 | (12.1) | (165.2) | (141.1) | 1.1 |
| Deferred Income Tax | (18.9) | (8.2) | (4.3) | (13.5) | (35.9) | 6.9 | 12.7 |
| Other movements | 7.2 | 0.9 | 19.1 | (19.3) | 2.1 | (31.4) | 10.2 |
| Net Change in Working Capital | (49.0) | (50.5) | (19.4) | (115.6) | (230.4) | (462.0) | (74.9) |
| Income Tax Payable | (11.9) | 4.5 | 6.8 | 4.4 | 51.1 | 20.4 | (49.2) |
| Other movements | 7.1 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash Flow from Operating Activities | 259.1 | 214.8 | 497.4 | 668.3 | 1,669.3 | 924.6 | 1,182.3 |
| Acquisition of subsidiaries | 0.0 | 0.0 | 0.0 | 0.0 | (173.9) | (151.0) | 0.0 |
| Sale of PP&E | 8.6 | 3.3 | 0.8 | 15.7 | 8.4 | 4.1 | 9.0 |
| Capex | (172.8) | (140.6) | (153.6) | (239.3) | (269.5) | (126.5) | (420.9) |
| Loans given and proceeds, net | 0.0 | 0.0 | (71.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Investments | 111.5 | (53.0) | 8.0 | (169.9) | 333.3 | (79.1) | 23.9 |
| Movement of restricted cash | 0.0 | 0.0 | (6.0) | (15.6) | 3.4 | 3.9 | (3.0) |
| Cash Flow from Investment Activities | (52.7) | (190.3) | (221.8) | (409.1) | (98.3) | (278.0) | (391.1) |
| Net Proceeds from borrowings | (59.4) | 3.0 | (84.3) | (0.5) | (19.6) | (21.3) | 10.8 |
| Issuance of stock in subsidiaries to minority shareholders | 0.0 | 3.3 | 3.7 | 0.4 | 0.0 | 0.0 | 0.0 |
| Payments under capital lease | 0.0 | 0.0 | (0.6) | (6.6) | (40.8) | (40.6) | 0.0 |
| Proceeds from Treasury stock, net | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends | 0.0 | 0.0 | 0.0 | (61.7) | (332.8) | (122.3) | (174.6) |
| Repayment of loan by controlling shareholders | 0.0 | 0.0 | 0.0 | 71.4 | 0.0 | 0.0 | 0.0 |
| Proceeds from controlling shareholders for sale of invt. | 0.0 | 0.0 | 0.0 | 38.1 | 5.6 | 0.0 | 0.0 |
| Payments to cont. shlds. for control transfer of subs. int. | 0.0 | 0.0 | 0.0 | 0.0 | (638.0) | (509.0) | 0.0 |
| Cash Flow from Financing Activities | (59.2) | 6.4 | (81.2) | 41.1 | (1,025.7) | (693.2) | (163.8) |
| Net increase in cash and cash equivalents | 147.2 | 30.8 | 194.4 | 300.3 | 545.3 | (46.7) | 627.4 |
| FX effect on cash | 0.0 | 0.0 | 0.0 | 46.4 | 73.6 | 11.4 | (43.3) |
| Cash at the beginning of the year | 12.0 | 159.2 | 188.5 | 383.0 | 729.6 | 729.6 | 1,348.6 |
| Cash at the end of the year | 159.2 | 190.0 | 383.0 | 729.6 | 1,348.6 | 694.3 | 1,932.7 |

