



NOVOLIPETSK STEEL



Preliminary Results

2005

April 2006

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Full Year 2005 Highlights

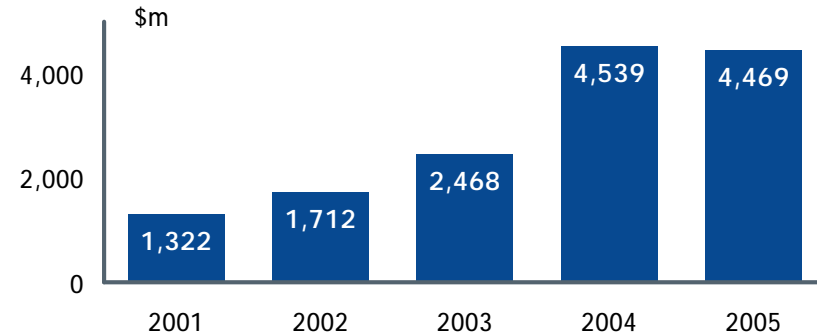
Vladimir Nastich, CEO



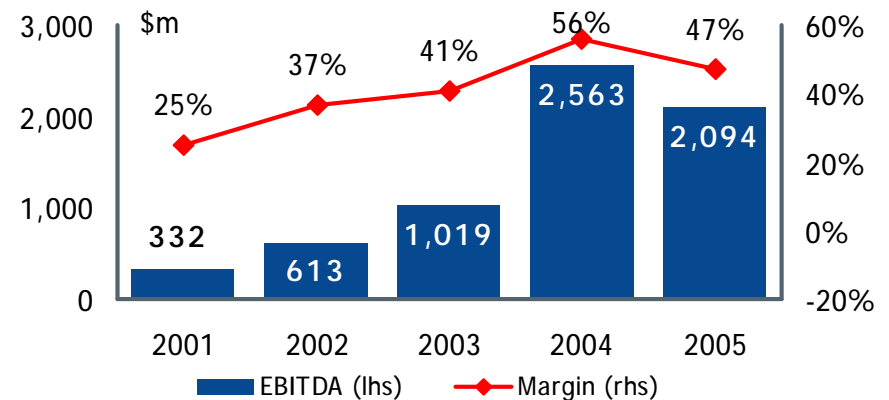
Full Year 2005 Highlights

- Sales revenue of USD 4.5 billion
- Operating cash flow of USD 1.5 billion
- ROE of 29%
- Strong EBITDA of USD 2.1 billion, margin of 47%
- Cash and cash equivalents of USD 1.9 billion as at December 31, 2005
- Successful global offering and secondary listing on LSE - market capitalisation USD 8.7 billion - 15 December, 2005

Sales revenue



EBITDA



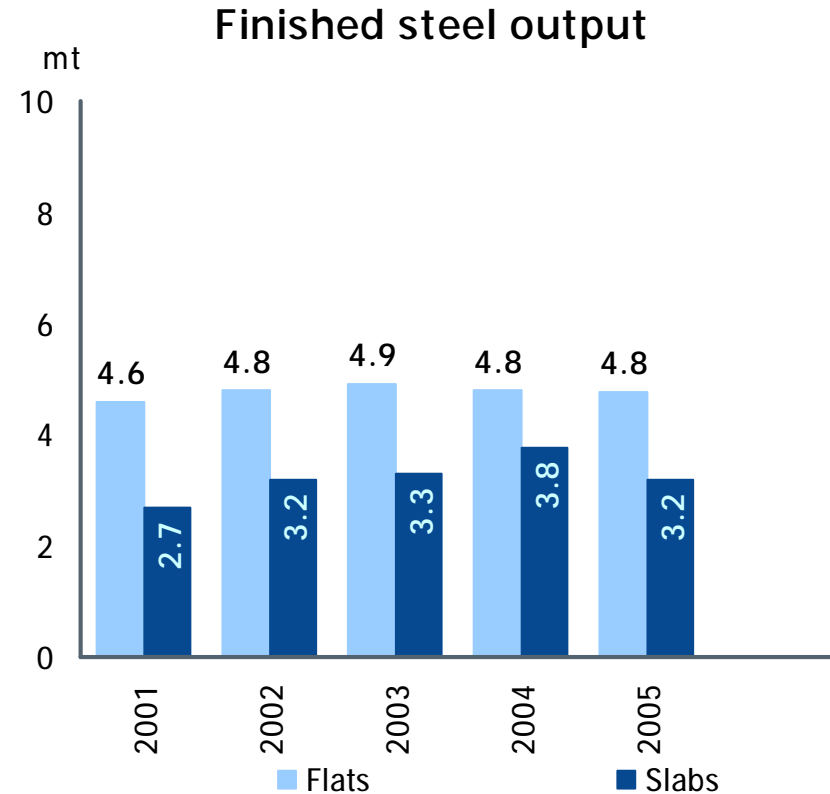
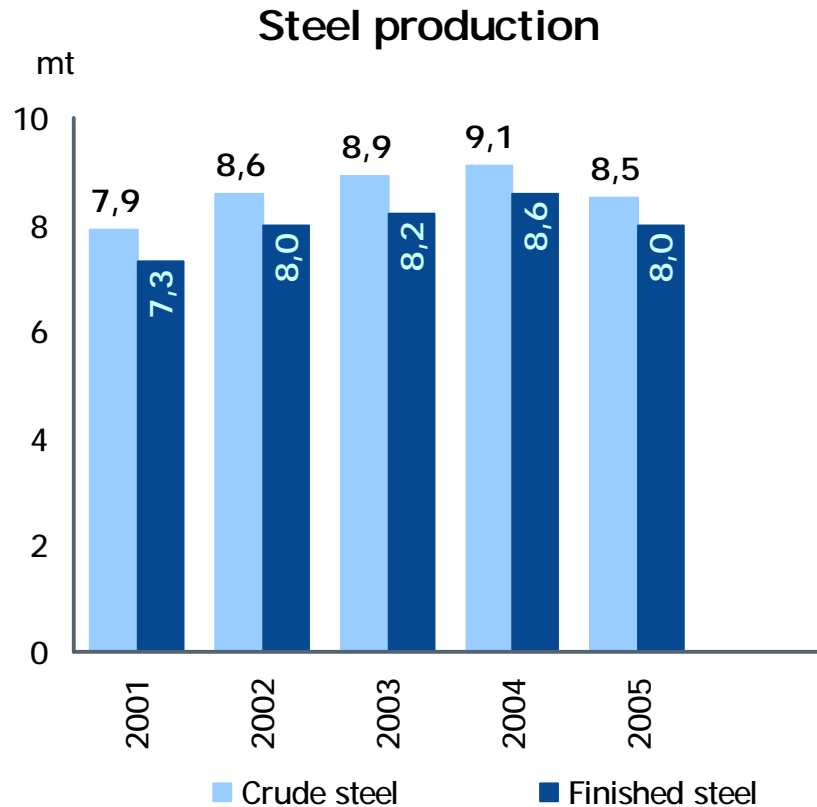
Full Year 2005 Highlights (cont.)



- Vertical integration strategy based on 'financial results before tonnes' approach
- Self-sufficiency in major raw materials
- International expansion (DanSteel vs Erdemir)
- Technical upgrading program – phase one completed
- Organic growth and costs reduction
- Enhancement of progressive dividend policy
- Internal restructuring plan



Stable production profile



Reduction in steel output in 2005 resulted from scheduled major maintenance activities at Blast Furnace Plant and Steelmaking Plant accelerated due to a downturn in the steel market

In 2006 NLMK is expecting to return to 2004 production levels



2005 Major Acquisitions and Developments

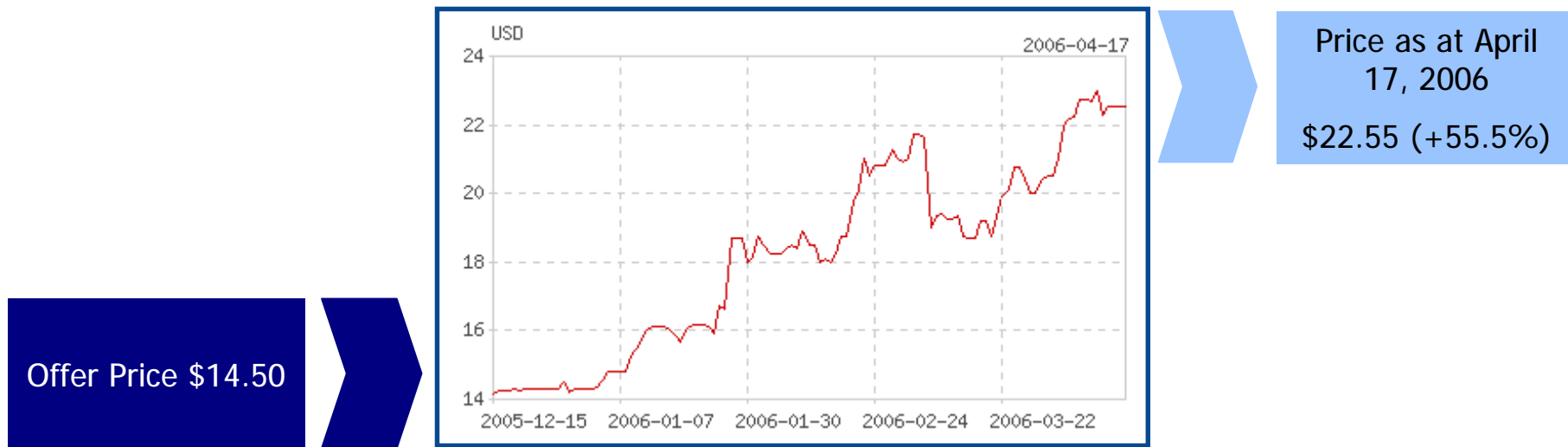
- In August 2005 we acquired a license for the exploration and development of Zhernovskoe-1 coal deposit (Russia, Kemerovo region). Based on our current estimates, we expect this deposit to provide approximately 50% of our coking coal requirements from 2009.
- In October 2005 NLMK participated in the auction to acquire a stake in a state-owned Turkish steel producer, Erdemir. However, NLMK decided that the price at which it was sold, USD 2.77 billion, exceeded possible economic gains.
- During 2005 preparation work to acquire a range of assets such as Kombinat KMA Ruda, DanSteel A/S, Altai-koks and Prokopievskugol group companies were under way.



IPO Highlights

- The offer comprised 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 was set at \$14.50 per Global Depository Share (GDS), implying a market capitalization of \$8.7 billion and an offer size of \$609m.

NLMK's GDS Performance:



Successful listing on the London Stock Exchange enabled NLMK to raise its international profile and increase company's global liquidity





Financial Results

Galina Aglyamova, CFO



Consolidated statement of income

\$m	2004	2005	Change	
			+/-	%
Sales revenue	4,538.7	4,468.7	(70.0)	(1.5)
Cost of sales				
Production cost	(1,888.7)	(2,118.1)	(229.4)	12.1
Depritation	(243.7)	(283.6)	(40.0)	16.4
	(2,132.4)	(2,401.7)	(269.4)	12.6
Gross profit	2,406.3	2,067.0	(339.3)	(14.1)
General and administrative expenses	(183.5)	(207.0)	(23.5)	12.8
Operating income	2,222.9	1,860.0	(362.8)	(16.3)
Other income/expenses	141.1	46.2	(94.9)	(67.3)
Income before income tax and minority interest	2,364.0	1,906.2	(457.8)	(19.4)
Income tax	(572.2)	(495.7)	76.5	(13.4)
Income before minority interest	1,791.8	1,410.6	(381.2)	(21.3)
Net income	1,772.5	1,385.3	(387.2)	(21.8)
EBITDA	2,562.8	2,093.8	(469.0)	(18.3)

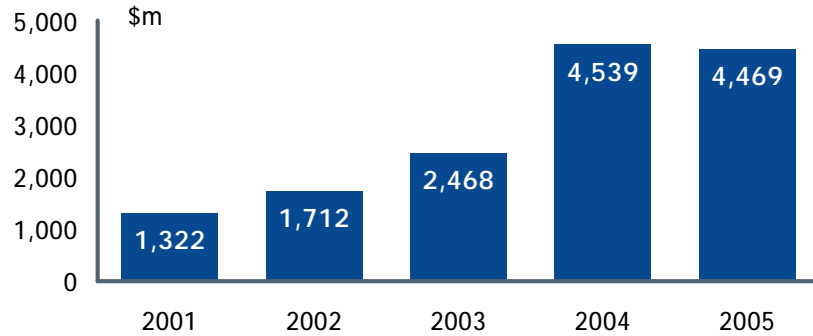
Note:

1 EBITDA represents net income, including non-recurring items, before net interest expense, income taxes, loss on disposal of property, plant and equipment and depreciation and amortization.

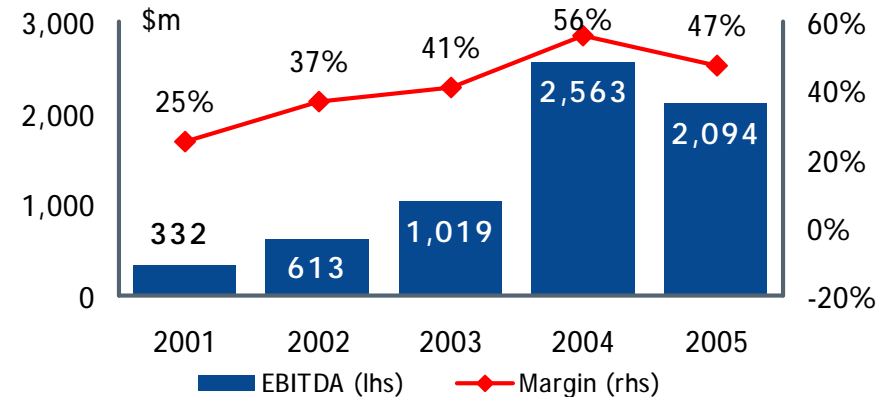


Continuously strong financial performance

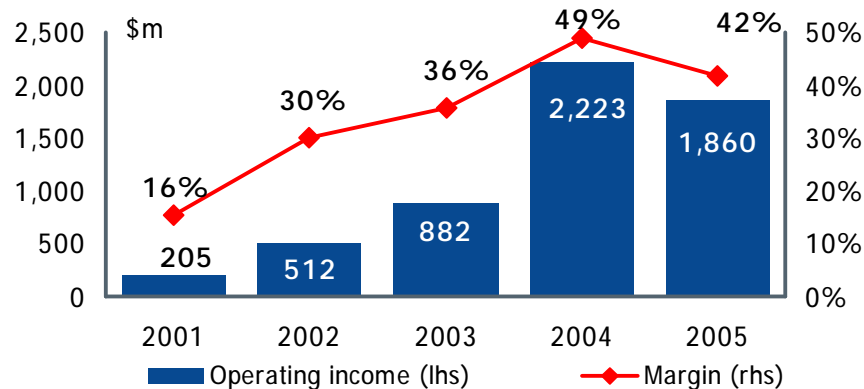
Revenue



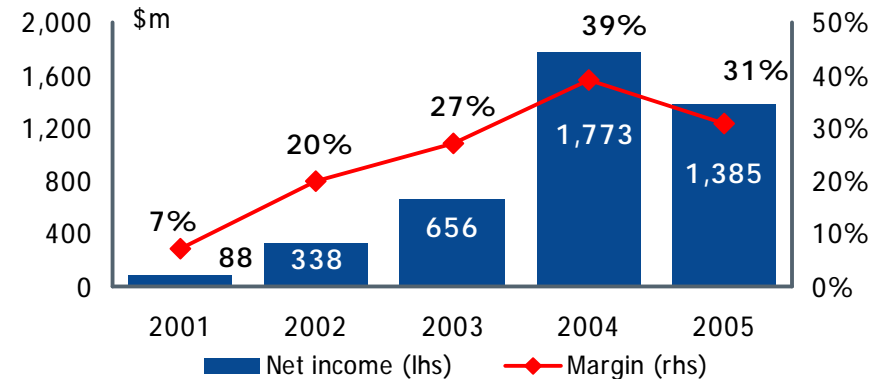
EBITDA¹



Operating income



Net income



Note:

¹ EBITDA represents net income, including non-recurring items, before net interest expense, income taxes, loss on disposal of property, plant and equipment and depreciation and amortization.



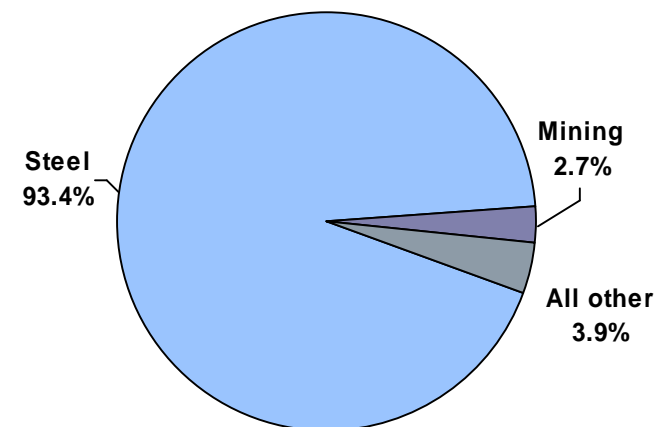
Group segments production results

\$m	2004	2005
Sales revenue from external customers		
Steel	4 399,6	4 174,7
Mining	75,0	119,5
All other	64,1	174,5
Total revenue from external customer	4 538,7	4 468,7

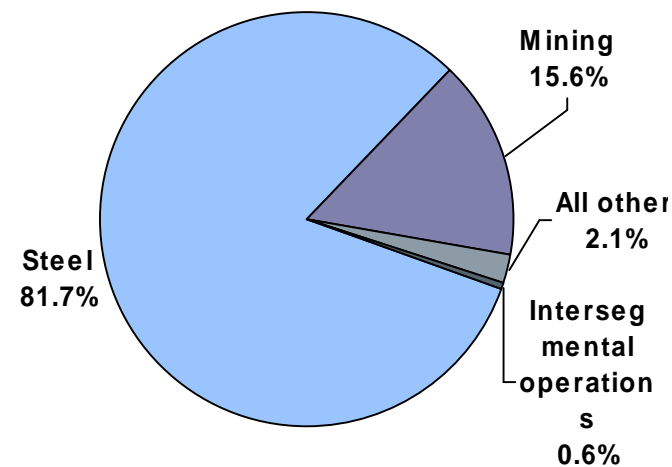
Gross Profit		
Steel	2 182,3	1 667,9
Mining	207,8	318,2
All other	20,9	65,9
Intersegmental operations	(4,6)	14,9
Total	2 406,3	2 067,0

Operating income		
Steel	2 037,3	1 518,9
Mining	186,1	290,9
All other	18,1	39,7
Intersegmental operations	(18,7)	10,5
Total	2 222,9	1 860,0

Sales revenue from external customers

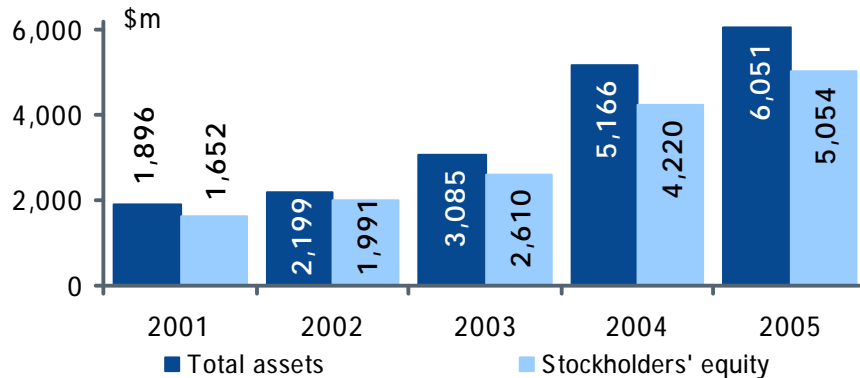


Operating income



Strong financial performance

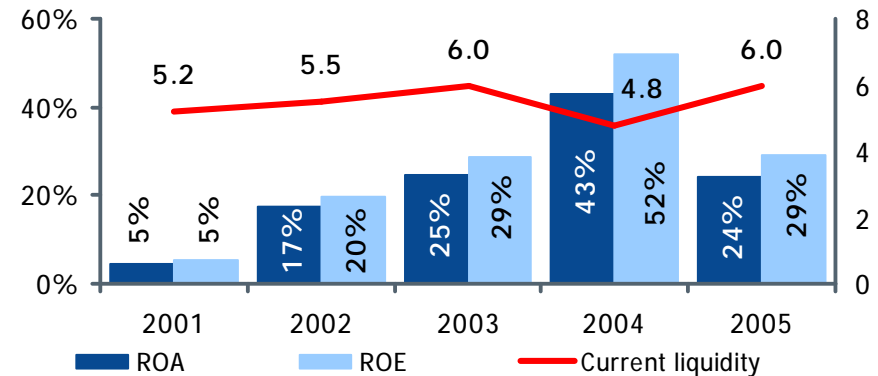
Assets and Shareholders' equity



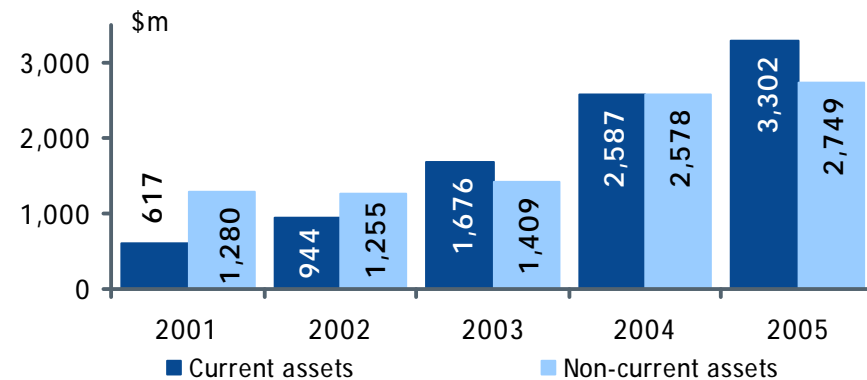
In 2005 NLMK's total assets increased by 17% comparing with 2004. Our major source of assets growth is Company's income.

Shareholders' equity ratio of 84% as at December 31, 2005 provides a strong platform for growth.

Return on Assets and Liquidity

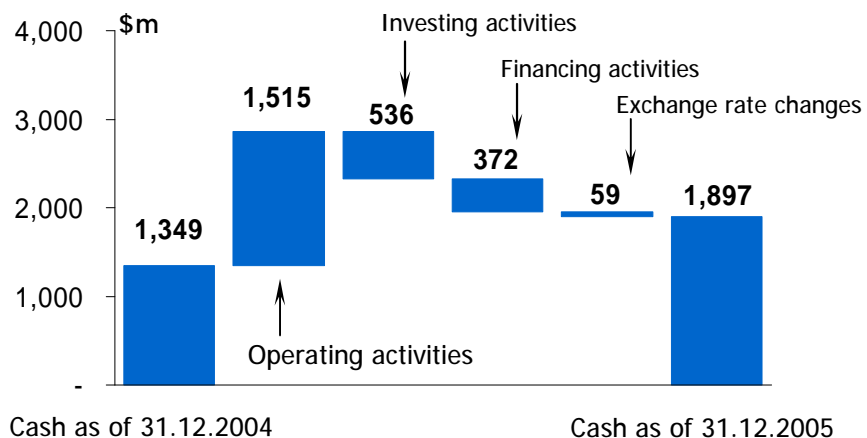


Assets structure

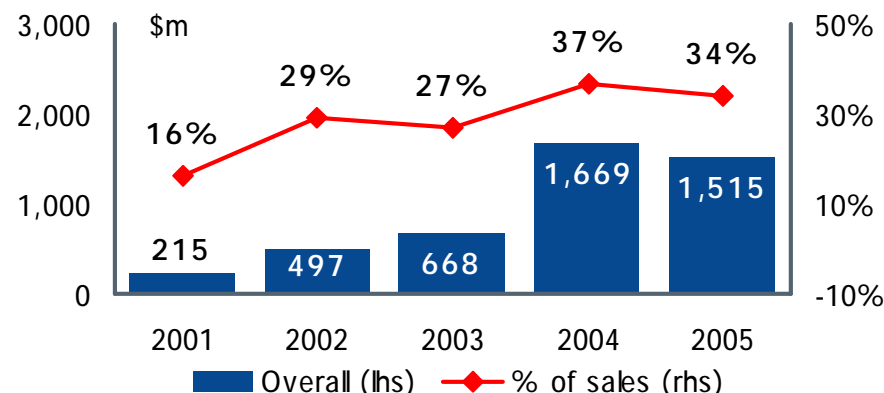


Cash flows

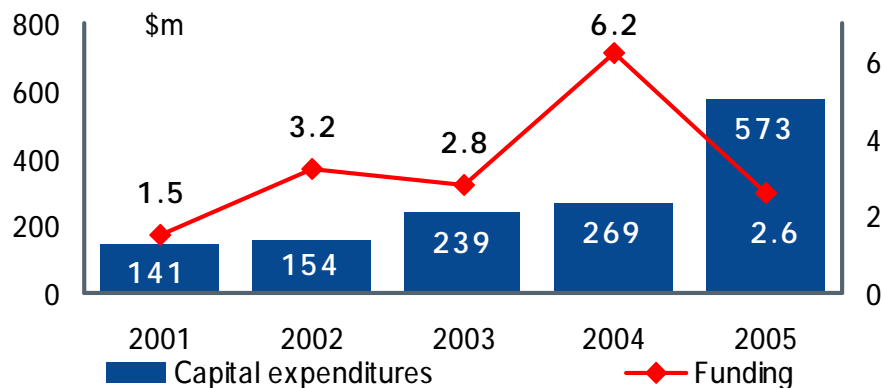
2005 Cash flow



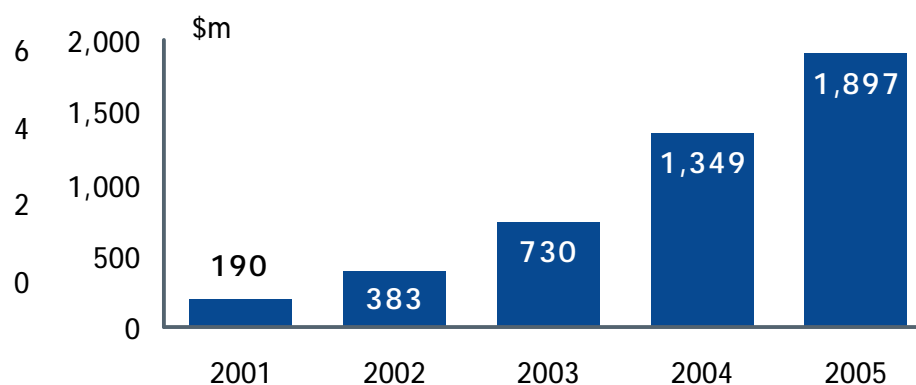
Operating cash flows



Capital expenditures cover¹



Cash and cash equivalents



Note:

¹ Capex cover = Cash flow from operating activities/Purchases and construction of property, plant and equipment

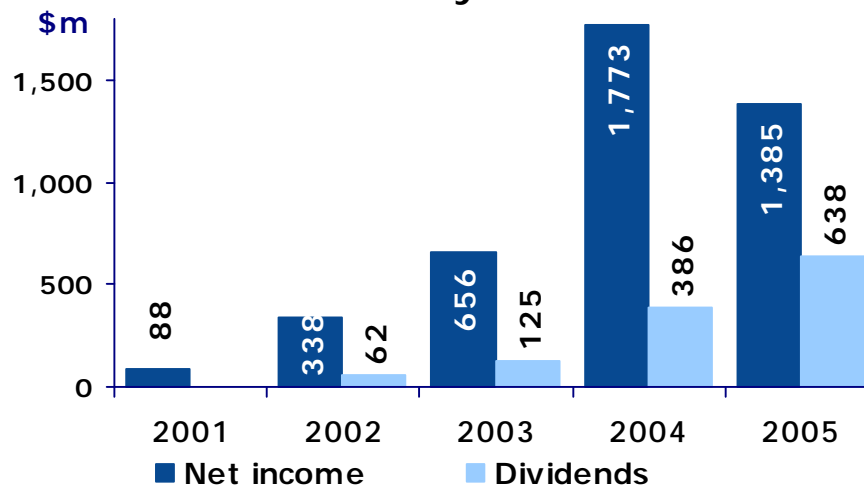


Dividend policy

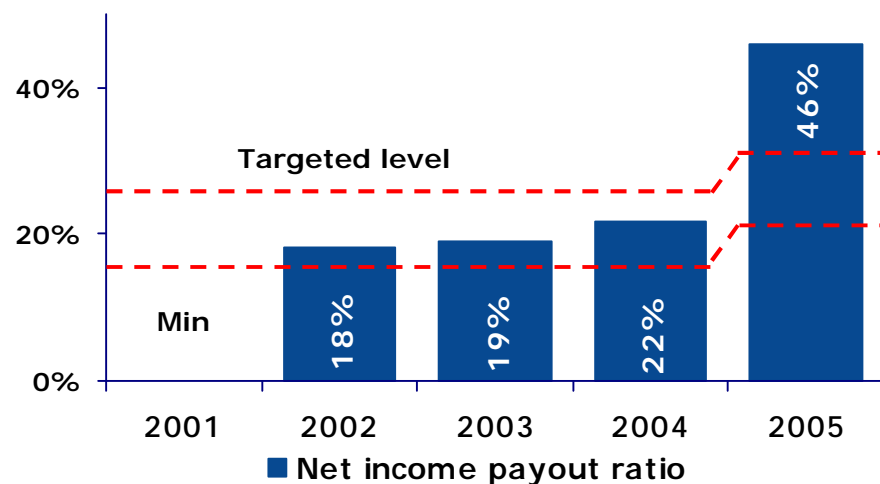
NLMK's Board of Directors proposes the following changes in the Group's dividend policy:

- increase minimum payout ratio from 15% to 20%
- target an average payout ratio during five year period of at least 30% of our annual net income (in accordance with US GAAP)
- cash proceeds from minority holdings divestments will be returned to the shareholders
- 2005 dividends already include USD 297.3 mln net proceeds from divestment of minority stake in Lebedinsky GOK in January 2006

Dividend history of NLMK



Net income payout ratio





2005 Strategy and Outlook for 2006

Vladimir Nastich, CEO



2006 Developments

DanSteel A/S

- ➔ In January 2006 NLMK acquired from its controlling shareholder a 100% stake of Danish steelmaker DanSteel A/S for USD104 mln.
- ➔ Overall annual production capacity of DanSteel A/S is approximately 500 thousand tonnes of hot-rolled steel heavy plate. NLMK is its major supplier of slabs from 2002.

Kombinat KMA Ruda

- ➔ In February-March 2006 a deal on acquisition of a 43.37% stake in Kombinat KMA Ruda, an iron ore producer, was completed. As a result of the deal, NLMK's share in Kombinat KMA Ruda share capital was raised to 76.26%



2006 Developments (cont.)

Prokopievskugol Group and Altai-koks

- ➔ In March 2006 we agreed to acquire from a group of investors an 82% interest in Altai-koks, coke-chemical plant, and a 100% interest in holding company Kuzbass Asset Holdings Limited, Gibraltar, which owns 100% of interest in "Prokopievskugol" Coal Company for about USD 750 mln.
- ➔ In January-April 2006 an additional stake of 6.18% in Altai-koks was acquired from minority shareholders thus increasing NLMK's interest to more than 88%.
- ➔ Altai-koks is the leader among coke-chemical plants in Russia. It produces high-quality coke and chemical products. In 2005 Altai-koks production of coke amounted to 3.8 mln. tonnes. Total annual capacity of Altai-koks is expected to reach almost 5 mln. tonnes by 2007.
- ➔ Prokopievskugol Group takes leading positions in high-grade coking coal production and processing in the Kemerovo region. Prokopievskugol Group owns seven mines and three processing plants. It produces more than 5 million tonnes of coal per year including 3 mln tonnes of coking coal concentrate.



2006 Strategic Outlook

- ➔ NLMK is expecting to return to 2004 production levels.
- ➔ NLMK will bring steel production to over 10.5 mln t by 2010.
- ➔ NLMK will divest non-core assets and pursue strategic acquisition opportunities in Russia and abroad.
- ➔ Our policy remains focused on improving NLMK's EBITDA, the key benchmark of our operating performance.
- ➔ The Board has approved an internal restructuring plan aimed at centralizing key management functions in accordance with NLMK's value chain.



2006 Market Outlook

- ➔ Company expects that its sales revenue will slightly exceed the level of 2005
- ➔ Increase in sales revenue will result from both sales volumes growth and inclusion of new assets in the Group
- ➔ We estimate that operating income will remain at the level of the previous year
- ➔ Sale of an interest in Lebedinsky GOK in January 2006 will become the main factor of increase of income before income tax and an increase of net income
- ➔ We see the EBITDA level remaining at 2005 levels



Appendices



NLMK Group today



- ◆ NLMK Group Companies
- ⚓ Sea ports
- Area of major export routes and NLMK's customers



Principal steel products production

mt	2004	2005	Change	
			+/-	%
Pig iron	8.99	7.89	(1.11)	(12.3)
pig iron for sale	1.06	0.40	(0.66)	(62.3)
Steel	9.12	8.47	(0.65)	(7.2)
Finished steel products	8.58	7.98	(0.60)	(7.0)
Slabs	3.76	3.20	(0.56)	(14.9)
Rolled steel products	4.81	4.78	(0.04)	(0.8)
Hot-rolled steel	1.98	2.04	0.06	2.9
Cold-rolled steel	2.83	2.74	(0.09)	(3.3)
Coated steel	0.53	0.53	0.00	0.4
Hot dip galvanized steel	0.29	0.27	(0.03)	(9.5)
Pre-painted steel	0.24	0.27	0.03	12.8
Electrical steel	0.51	0.47	(0.04)	(8.0)
Grain oriented	0.12	0.13	0.01	11.8
Non-grain oriented	0.40	0.34	(0.06)	(13.9)



Consolidated balance sheet

(\$ thousand)	As of 31.12.2001	As of 31.12.2002	As of 31.12.2003	As of 31.12.2004	As of 31.12.2005
ASSETS					
Current assets					
Cash and cash equivalents	190,029	382,957	729,641	1,348,615	1,896,741
Short-term investments	-	44,487	180,797	21,153	27,040
Accounts receivable, net	240,020	266,199	377,746	588,562	660,054
Amounts due from employees, affiliates and other related parties	1,082	-	-	-	-
Inventories, net	180,030	210,628	301,303	475,303	501,556
Other current assets, net	5,529	32,242	63,336	148,748	208,920
Restricted cash	-	7,515	23,104	5,094	7,979
	616,690	944,028	1,675,927	2,587,475	3,302,290
Non-current assets					
Long-term investments, net	74,212	71,164	39,925	51,425	31,470
Property, plant and equipment, net	1,174,682	1,167,714	1,332,579	2,257,628	2,393,549
Intangible assets	-	-	-	21,594	16,655
Goodwill	997	-	-	179,815	173,357
Other non-current assets, net	29,659	16,080	36,834	67,984	133,747
	1,279,550	1,254,958	1,409,338	2,578,446	2,748,778
Total assets	1,896,240	2,198,986	3,085,265	5,165,921	6,051,068
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Short-term borrowings	92,367	-	-	-	-
Accounts payable and other liabilities	89,725	154,105	251,687	455,042	507,637
Amounts due to employees, affiliates and other related parties	18,510	-	-	-	-
Current income tax liability	10,266	17,106	23,032	78,638	40,639
Short-term capital lease liability	0	1,727	6,114	232	-
	210,868	172,938	280,833	533,912	548,276
Non-current liabilities					
Long-term borrowings	3,162	-	-	-	-
Long-term capital lease liability	0	2,468	11,563	313	-
Deferred income tax liability	19,780	15,523	159,716	305,472	294,337
Other long-term liabilities	0	3,988	6,593	19,946	61,675
	22,942	21,979	177,872	325,731	356,012
Total liabilities	233,810	194,917	458,705	859,643	904,288
Minority interest	10,407	12,891	16,652	85,787	92,576
Stockholders' equity					
Common stock	14,435	14,440	14,440	221,173	221,173
Statutory reserve	5	32	32	10,267	10,267
Additional paid-in capital	680	680	680	680	1,812
Other comprehensive income	2,986	3,723	27,672	242,387	71,899
Retained earnings	1,633,917	1,972,303	2,567,084	3,745,984	4,749,053
	1,652,023	1,991,178	2,609,908	4,220,491	5,054,204
Total liabilities and stockholders' equity	1,896,240	2,198,986	3,085,265	5,165,921	6,051,068



Consolidated statement of income

(\$ thousand)	2001	2002	2003	2004	2005
Sales revenue	1,322,431	1,711,657	2,468,022	4,538,686	4,468,726
Production cost	(888,947)	(950,058)	(1,293,330)	(1,888,702)	(2,118,111)
Depreciation and amortization	(159,688)	(146,327)	(157,809)	(243,656)	(283,622)
Gross profit	273,796	615,272	1,016,883	2,406,328	2,066,993
General, administrative expenses and selling expenses	(68,432)	(103,359)	(134,609)	(183,464)	(206,954)
General and administrative expenses	(21,136)	(37,655)	(69,524)	(92,517)	(107,867)
Selling expenses	(21,999)	(32,072)	(40,760)	(57,839)	(62,614)
Taxes other than income tax	(25,297)	(33,632)	(24,325)	(33,108)	(36,473)
Operating income	205,364	511,913	882,274	2,222,864	1,860,039
Other income / (expense)	(42,772)	(45,039)	(540)	141,138	46,204
Loss on disposals of property, plant and equipment	(15,600)	(8,895)	(7,949)	(12,231)	(11,812)
Gain / (loss) on investments	651	(2,675)	12,136	165,174	(1,523)
Interest income	6,315	10,832	26,289	37,773	83,781
Foreign currency exchange loss, net	(21,428)	(18,247)	(42,999)	(39,101)	(7,900)
Other expense	(12,710)	(26,054)	11,983	(10,477)	(16,342)
Income before income tax and minority interest	162,592	466,874	881,734	2,364,002	1,906,243
Income tax	(75,515)	(129,699)	(223,035)	(572,221)	(495,683)
Income before minority interest	87,077	337,175	658,699	1,791,781	1,410,560
Income from associates and subsidiaries					3,701
Minority interest	455	1,243	(2,243)	(19,280)	(28,925)
Net income	87,532	338,418	656,456	1,772,501	1,385,336
EBITDA	332,020	612,507	1,018,960	2,562,836	2,093,804



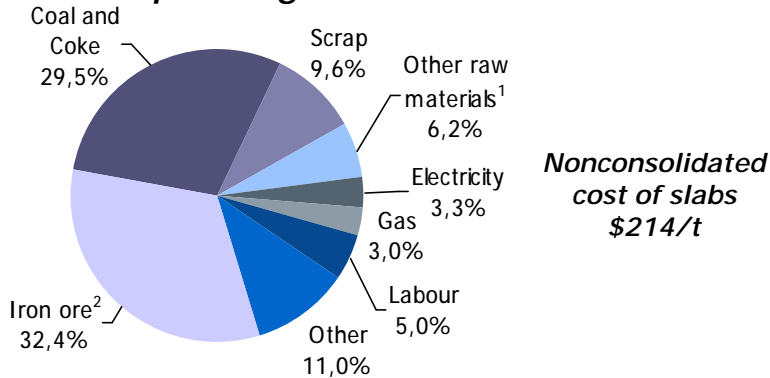
Consolidated cash flows

(\$ thousand)	2001	2002	2003	2004	2005
Cash flow from operating activities					
Net income	87,532	338,418	656,456	1,772,501	1,385,336
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	159,688	146,327	157,809	243,656	283,622
(Gain) / loss on investments	(542)	2,675	(12,136)	(165,174)	1,523
Other movements	7,805	22,511	(22,648)	(2,338)	16,721
Changes in operating assets and liabilities					
Increase in accounts receivables	(3,860)	(25,098)	(86,853)	(158,628)	(96,486)
Increase in inventories	(16,048)	(5,646)	(71,038)	(132,375)	(47,077)
Increase in accounts payable and other liabilities	(21,833)	43,524	86,360	146,731	107,377
Other changes in operating assets and liabilities	2,015	(25,297)	(39,639)	(35,030)	(136,340)
Net cash provided by operating activities	214,757	497,414	668,311	1,669,343	1,514,676
Cash flow from investing activities					
Acquisitions of subsidiaries				(173,856)	
Proceeds from sale of property, plant and equipment	3,284	846	15,677	8,352	10,616
Purchases and construction of property, plant and equipment	(140,579)	(153,632)	(239,279)	(269,459)	(573,220)
Proceeds from sale of investments	1,494	15,121	17,650	518,866	72,872
Purchase of investments	(54,071)	(7,106)	(187,590)	(185,594)	(42,722)
Movement of restricted cash	(427)	(77,028)	(15,589)	3,378	(3,122)
Net cash used in investing activities	(190,299)	(221,799)	(409,131)	(98,313)	(535,576)
Cash flow from financing activities					
Payments to controlling shareholders for common control transfer of interests in a new subsidiary, net of cash of \$1,070 received in transferred subsidiary				(635,383)	
Dividends to shareholders			(61,675)	(332,817)	(384,973)
Other changes in financing activities	6,375	(81,187)	102,799	(57,497)	12,909
Net cash provided by / (used in) financing activities	6,375	(81,187)	41,124	(1,025,697)	(372,064)
Net increase in cash and cash equivalents	30,833	194,428	300,304	545,333	607,036
Effect of exchange rate changes on cash and cash equivalents			46,380	73,641	(58,910)
Cash and cash equivalents at the beginning of the year	159,196	188,529	382,957	729,641	1,348,615
Cash and cash equivalents at the end of the year	190,029	382,957	729,641	1,348,615	1,896,741

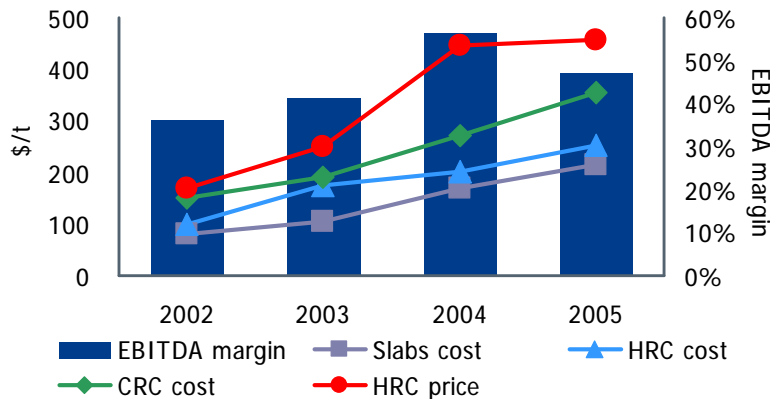


Leveraging sustainable low production cost base

78% of costs are raw materials 2005 steel operating cash cost breakdown



Effective cost control

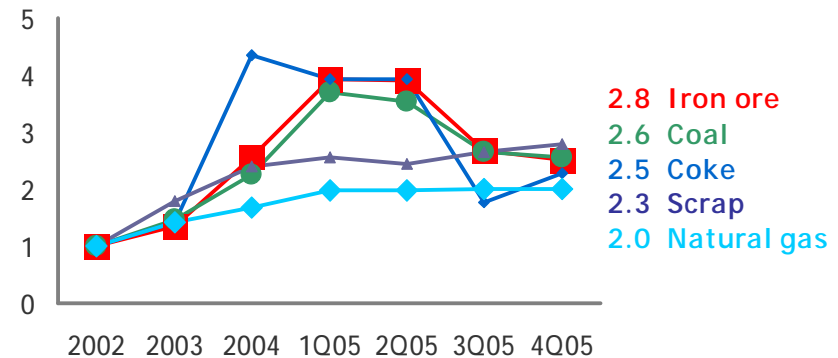


Note:

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

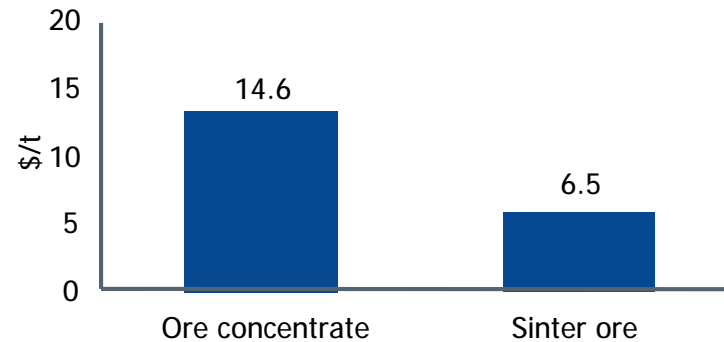
Raw material cost evolution

Price of raw materials growth ratio, Y2002=1



Benefits of vertical integration

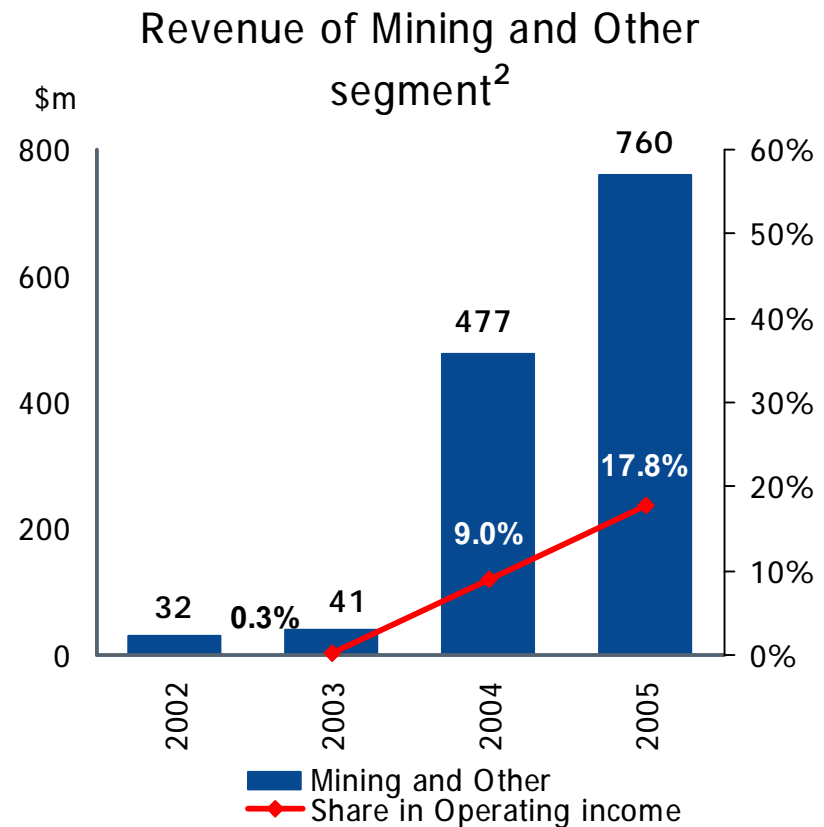
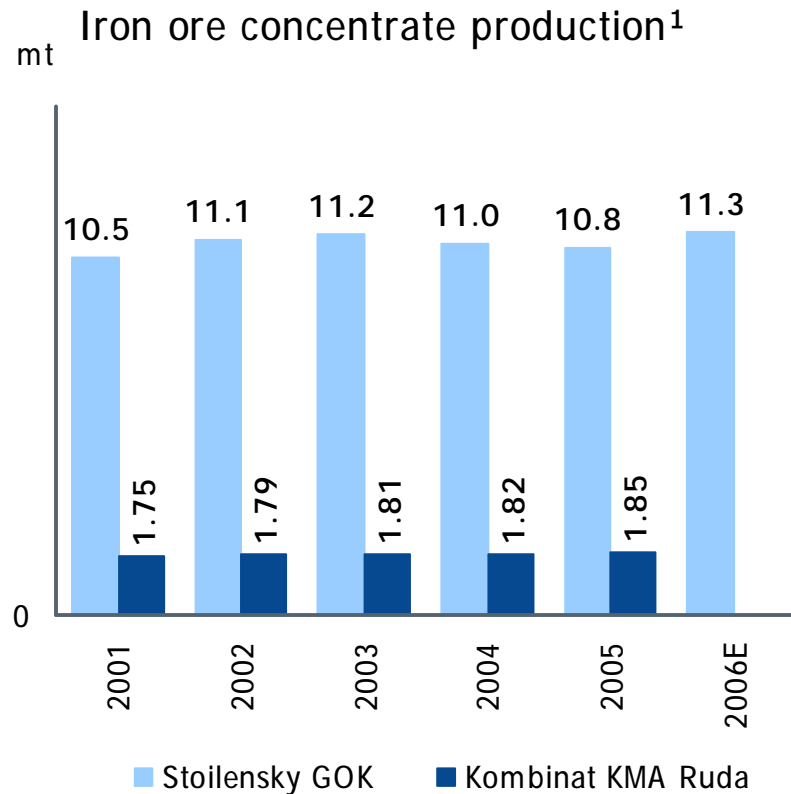
2005 Stoilensky cash cost of production



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



Group companies stable and dynamic production growth



➔ Mining companies Stoilensky GOK and Kombinat KMA Ruda supply 100% requirements of NLMK in iron ore



Note:

- 1 Kombinat KMAruda in 2005, since the second quarter was not in the Group
- 2 Mining and Other segment revenue includes sales in the Group

Fully vertically integrated across the value chain



- In 2005 Stoilensky GOK and KMA Ruda produced in aggregate 13.7 mln t that slightly exceed NLMK's requirements
- Since 2009 NLMK will become 100% self-sufficient in coal
- Coke producer for Russian market



- 100% self-sufficient in coke
- 38% of electricity generated on site
 - Considering plans to achieve full self sufficiency



- Own transport operator
 - 2,000 railcars
- Operator of fifths largest Russian sea port on the Black sea

Vertically integrated structure of the Company ensures an increase in profitability

Mining assets integration has been almost completed



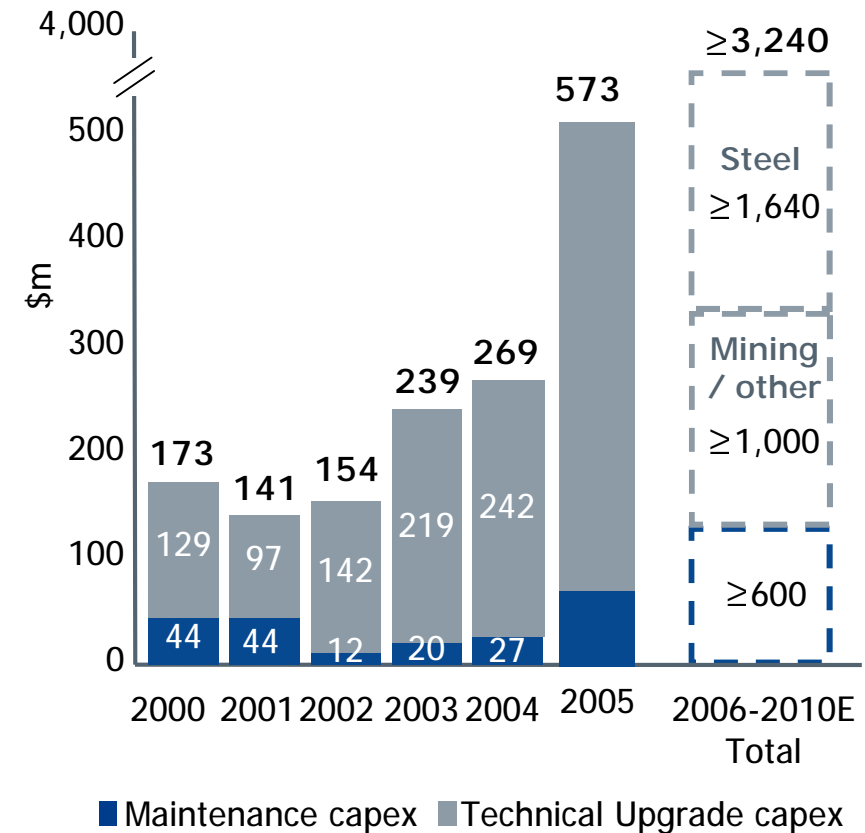
Technical Upgrading Program (2nd phase)

2006-2010 Technical Upgrading Program

Principal objectives

- ➔ Increase crude steel capacity
- ➔ Develop high value-added products portfolio
- ➔ Reduce operating costs by reducing consumption of raw materials and energy
- ➔ Improve production quality control system
- ➔ Continue program of environmental and safety improvements

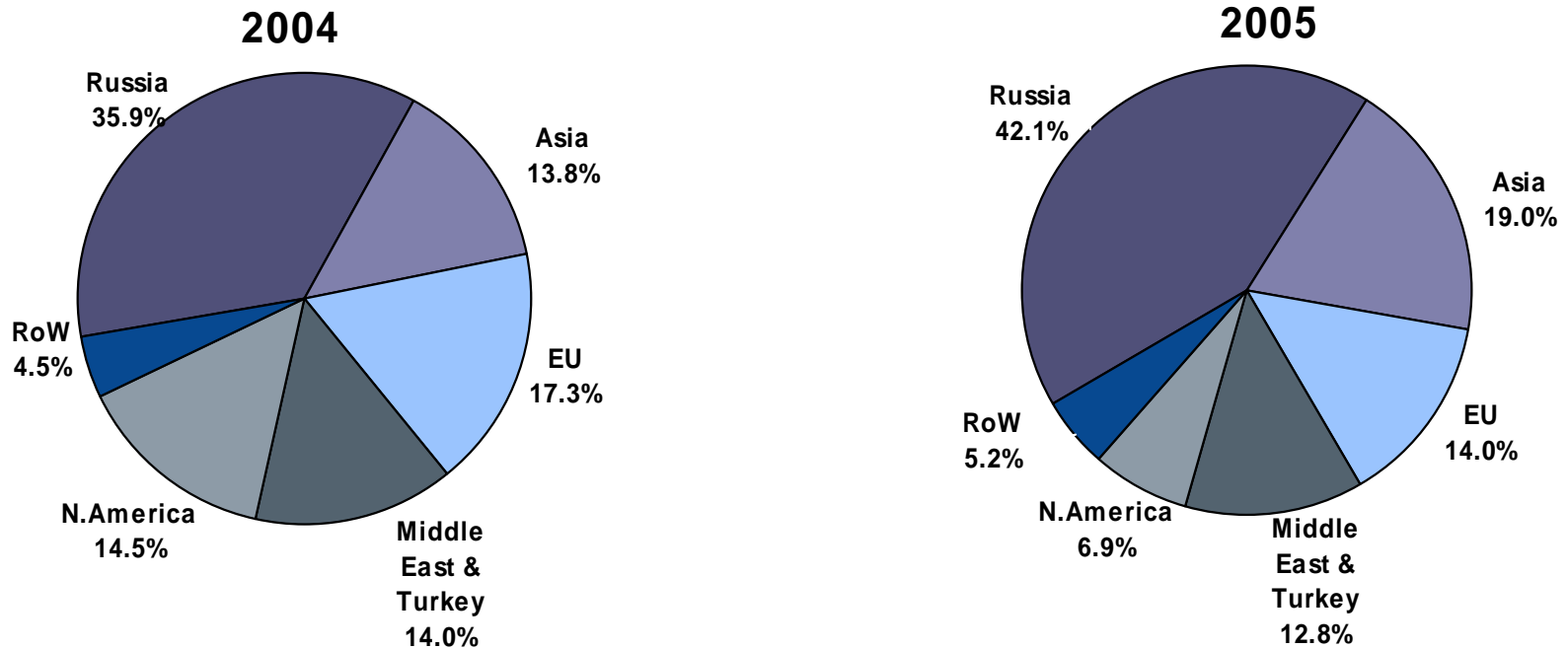
Capex



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



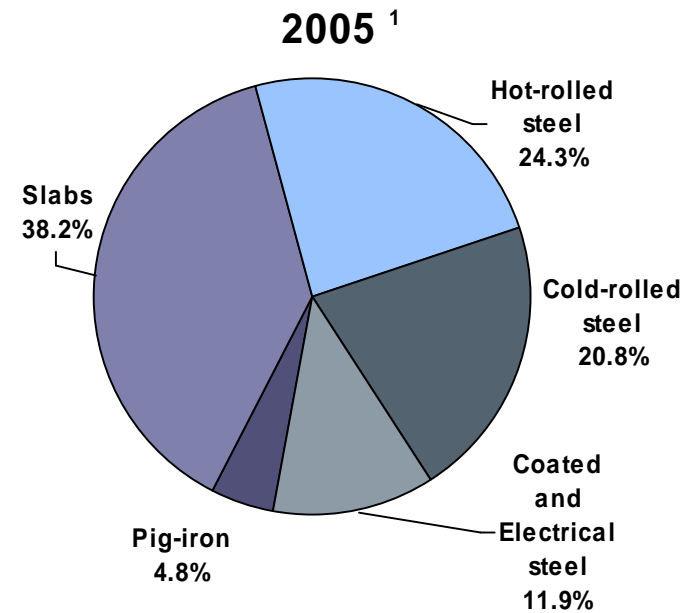
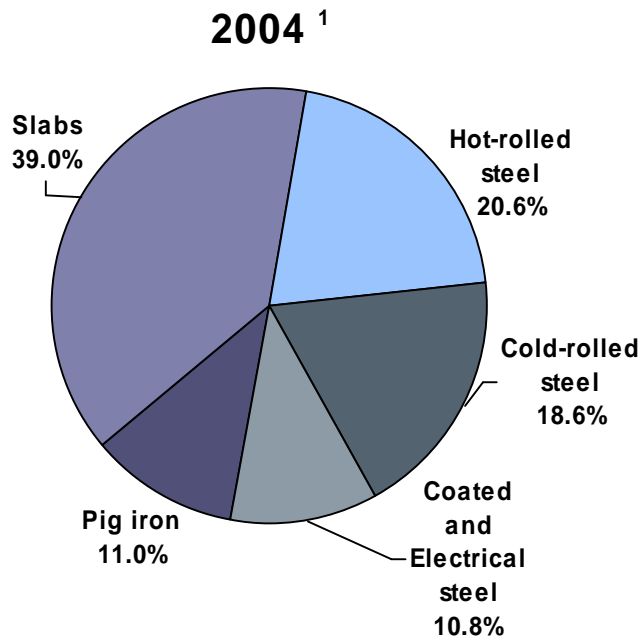
Sales by regions



- In 2005 we sold our products to over 60 countries worldwide
- Geographic spread allows NLMK to target the most profitable markets. Russia, Europe, Turkey, the Middle East and India contribute 70% of sales



Leading Russian steel producer with a diversified portfolio of products



GLOBAL MARKET	Rank	Market share
Slabs	#1-2	11%

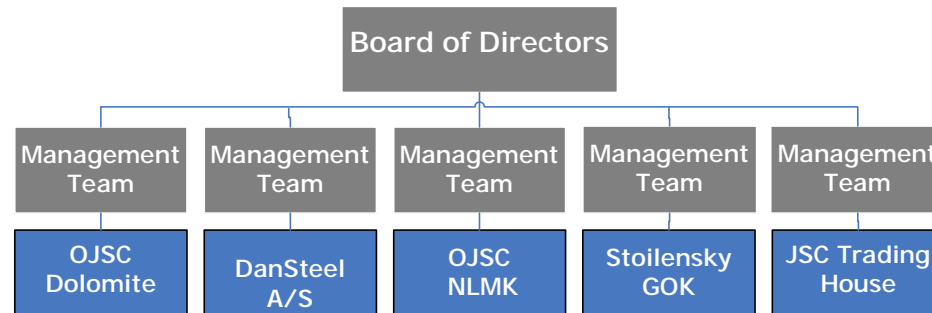
Russia	Rank	Market share
Hot-rolled steel	#3	9%
Cold-rolled steel	#1	39%
Electrical steel	#1	50%
Coated steel		
- prepainted	#1	31%
- galvanized	#3	14%

Note:
1 Production structure is based on natural exponents

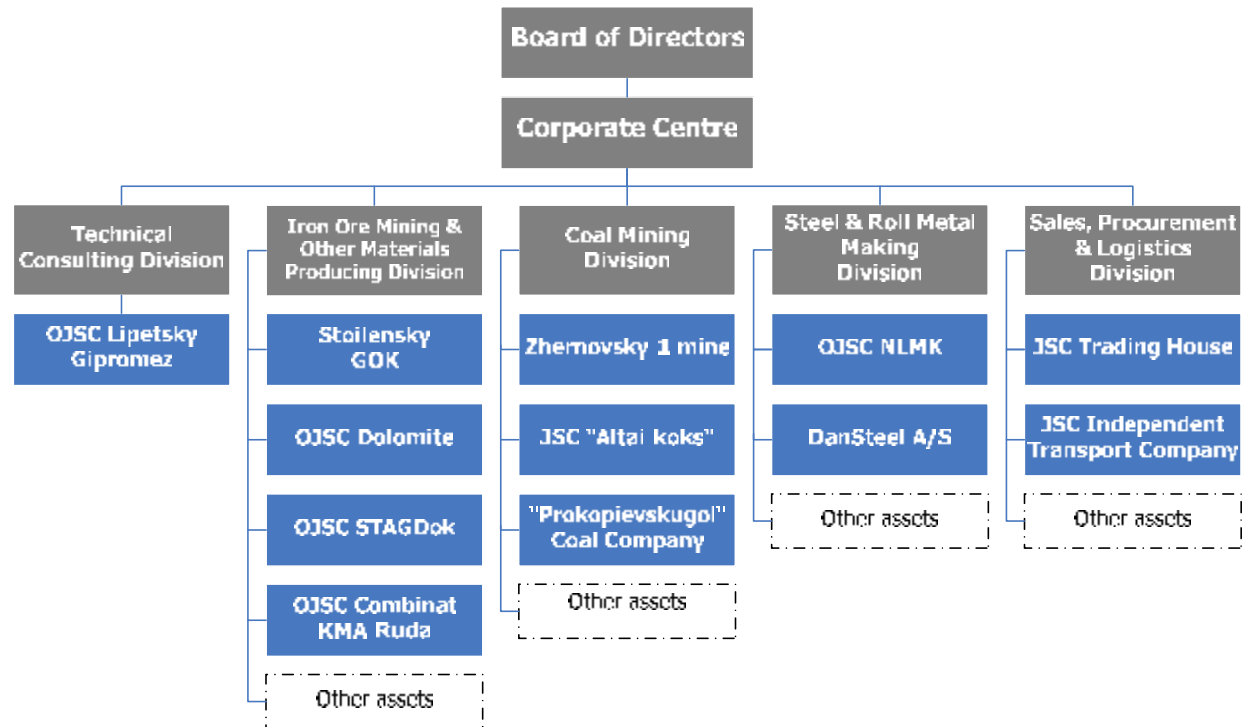


2006 Internal Restructuring Plan

Before restructuring...



After restructuring



2006 Internal Restructuring Plan (cont.)

- The Corporate Centre consolidates the following functions of the Group under unified management:
 - § strategic planning;
 - § finance;
 - § external relations;
 - § HR;
 - § legal services;
 - § IT;
 - § environmental activities;
 - § and corporate services.
- The internal restructuring plan anticipates the development of the divisional management structure based on value chain business processes.
- NLMK continues the effort of further consolidation of its core assets comprising steel, mining and supporting businesses and divestment of NLMK's stakes in non-core assets, including financial and transportation assets.

