NLMK

CORPORATE PRESENTATION

ACQUISITION OF THE ROLLING ASSETS IN STEEL INVEST AND FINANCE

20 April 2011

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1. Transaction details

2. Integration with NLMK

3. SIF overview

4. Market situation

TRANSACTION DETAILS

- Acquisition of a 50% interest in Steel Invest and Finance (SIF) from Duferco Group for an all cash consideration of c.US$600m, payable in four equal annual installments. The transaction will result in SIF becoming a 100% subsidiary of NLMK
- Upon closure of the deal SIF will transfer to Duferco certain non-core assets consisting of long products operations of 0.3 m tpa capacity and an Electric arc furnace with 0.9 m tpa of steelmaking capacity, and will transfer to a shareholder of Duferco the Belgium-based Carsid steelmaking operations with 2.1 m tpa slab capacity
- As part of the consideration for the transfer of the non-core assets, SIF will cancel approximately EUR230 million of Duferco shareholder loans
- The restructured SIF group* will operate 7 production sites and a distribution and transformation network in the EU and the USA with 5.5 million tonnes of rolling capacity and a leading position in all its core product categories
- The transaction is subject to customary regulatory approvals in the EU and the USA and is expected to close in Q2 2011

* "SIF" in this presentation will relate to ex-non core assets represented by 7 rolling assets

TRANSACTION RATIONALE

- Downstream vertical integration
  - Complements NLMK's slab capacity expansion from 9.0 to 12.4 m tpa (after a new BF launch in mid-2011)
  - … with a 2x increase of flat-rolling capacities in key world markets
  - … thus boosting NLMK re-rolling capabilities from the current 70% to over 90% of total increased slab output
  - Reduces exposure to volatile merchant slab market
- Better product mix and sector exposure
  - Brings downstream production closer to premium customers in mature markets
  - Doubles NLMK's sales capability to automotive and machinery-building sectors
  - Increases focus on other high value added products expanding presence in attractive sectors (energy, oil & gas)
- Geographic diversification
  - Increases share of finished products produced outside of Russia to 50% of total output
  - Increases footprint in stable markets with lower price volatility
- Acquired assets offer the following benefits
  - Favorable location: Northern Europe is less impacted by the economic slowdown
  - Flexible business model: rolling assets without hot end
  - Better product mix: high value added flat steel products
  - Attractive sector exposure: over 70% of sales directed to machinery and processing sectors

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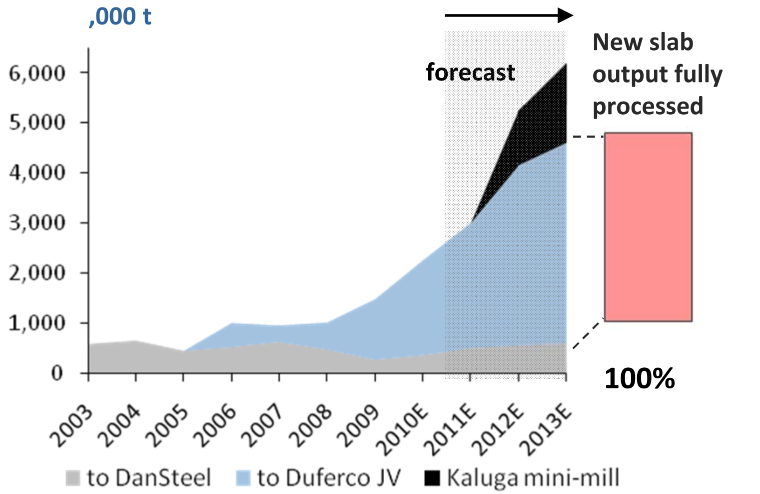
DOWNSTREAM INTEGRATION

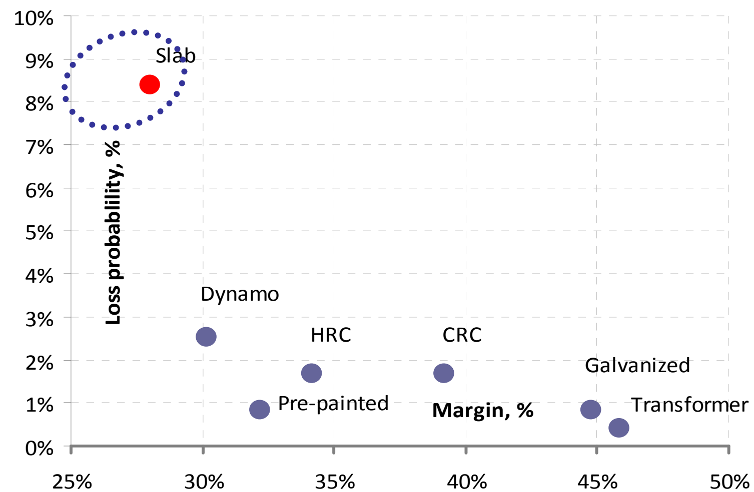
Achieving Balanced Growth By Integrating Re-rolling Assets

- **New slab production will be fully hedged**
  - 3.4 mt increase in slab output is matched by 5.5 mt downstream processing capacity growth
  - Slab supplies to SIF have already been growing steadily (2009: 1.3 mt, 2010: 1.7 mt, 2011E: 2.4 mt)
- **SIF consolidation improves growth quality**
  - No excessive product concentration (slabs)
  - No exposure to a single slab consuming market (S.E. Asia)
  - Low-risk growth profile with margin protection, better earnings visibility and quality

SEMIS SUPPLIES TO OWN/JV ASSETS



PRODUCT RISK AND MARGINS



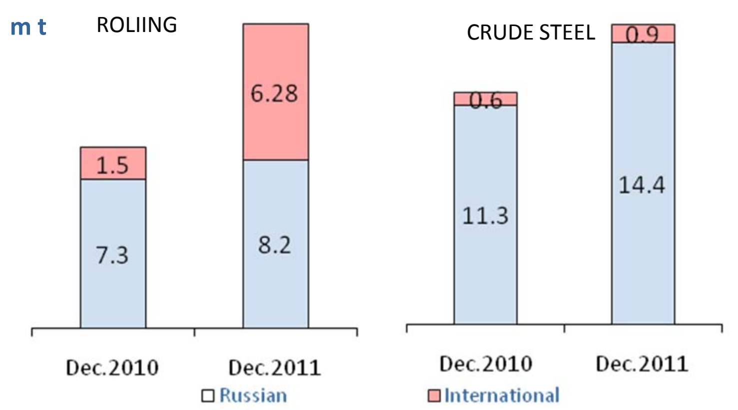
Source: Company estimates

IMPROVED REGIONAL FOOTPRINT

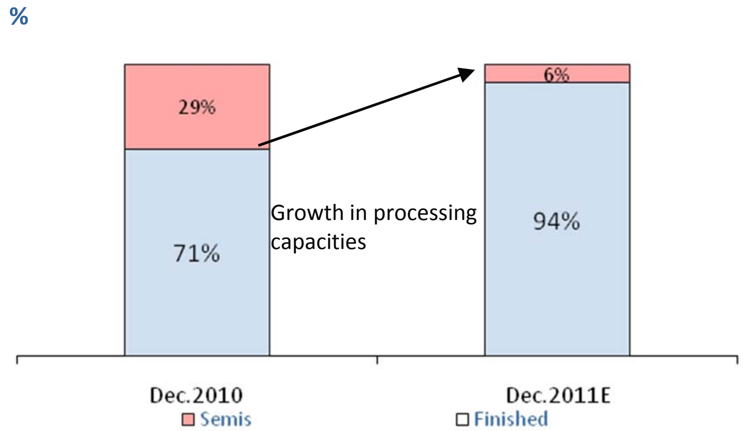
Steelmaking in Low Cost Locations, Processing in End Markets

- **Asset base diversification setting a trend for the industry**
  - Upstream and steelmaking assets in low cost regions secure cost advantage
  - Downstream assets located in the end markets ensure sustainability
- **Improved business scale and regional footprint**
  - Russian/International re-rolling split: 60/40
  - Better end market access and visibility, improved customer reach
  - Opportunities for technology transfer (eg. automotive grades) and niche expansion
- **Synergies with other international subsidiaries**
  - Commercial synergies in the EU plate division (DanSteel)
  - Industrial synergies in the US (NLMK Indiana)

CAPACITY BY REGION



PRODUCTION CAPACITY BY PRODUCT



IMPROVED PRODUCT MIX

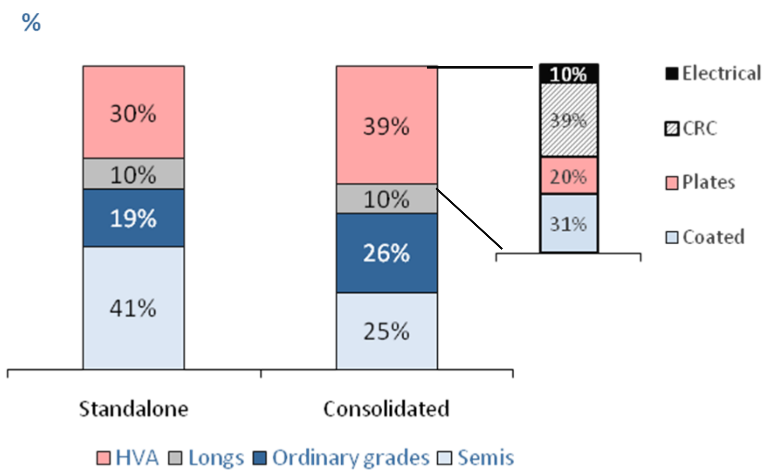
Value Added Products Growth, Better Sector Exposure

- **JV consolidation materially improves NLMK product portfolio…**
  - Finished product sales growth from 60% up to 90% of total sales even after a 40% growth in crude steel capacity
  - High value added products growth from 30% to 40%
  - Captive processing and distribution facilitate contract sales and JIT deliveries

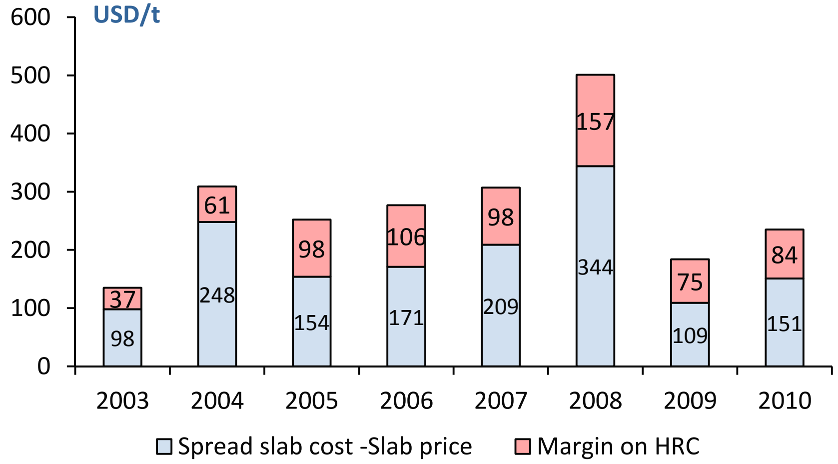
… creating additional revenue opportunities

- Re-rolling facilities protect upstream margins in a weak market and enhance them in an upturn
- Re-rolling assets to gain market share through materials cost advantage and differentiation strategies

2011 PRODUCTION BY PRODUCT



CAPTURING ADDITIONAL REVENUE



Source: SBB, Company estimates

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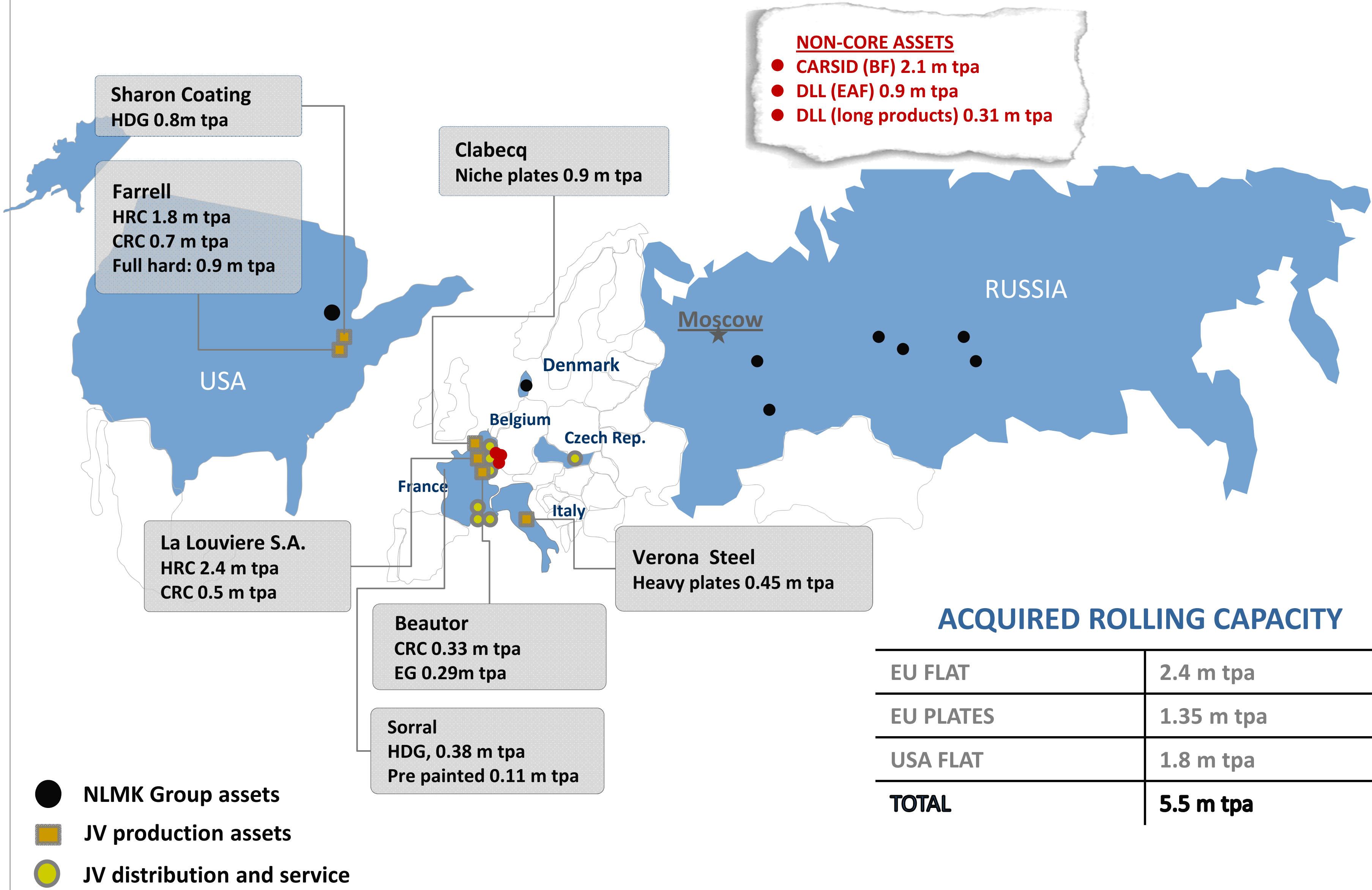
GEOGRAPHY OF ACQUIRED JV ASSETS



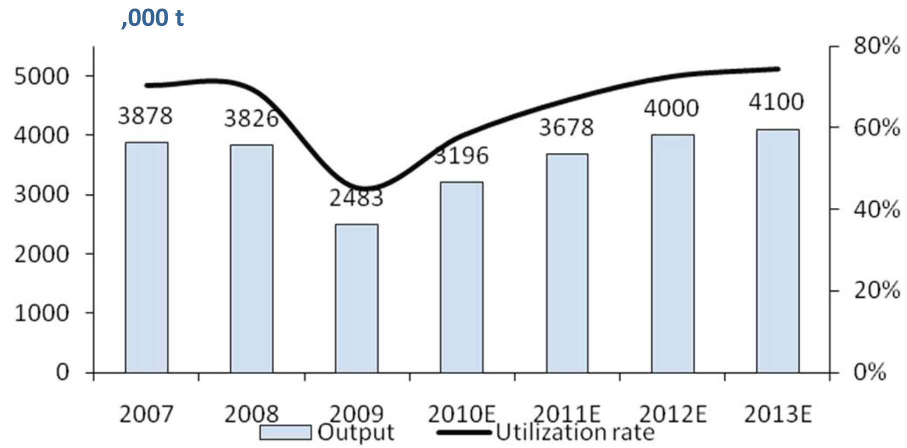
ACQUIRED ROLLING CAPACITY

EU FLAT	2.4 m tpa
EU PLATES	1.35 m tpa
USA FLAT	1.8 m tpa
TOTAL	**5.5 m tpa**

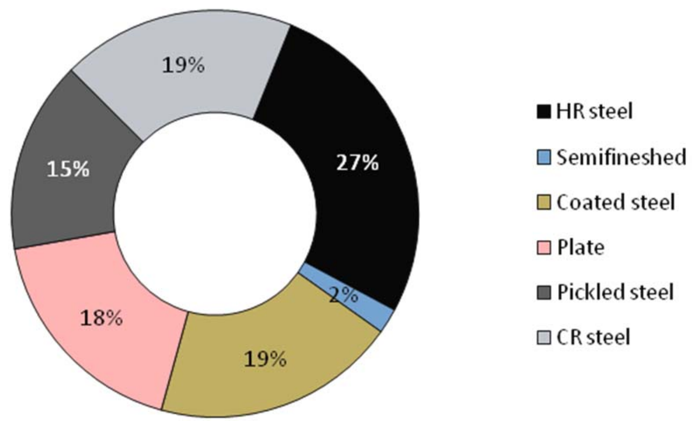
PRODUCTION HIGHLIGHTS

- **Flat rolling capacities with large share of high value added products**
  - Rolling capacity of over 5.5 m tpa
  - Shipments of 3.4* m tpa in 2010
  - 40% high value added grades
  - 70% av. capacity utilization through the cycle
- **Strong position in core products and markets**
  - Well balanced product portfolio
  - Broad range of plates in EU
  - Galvanized and pre-painted in the EU and US
  - Machinery, automotive, yellow goods, energy and oil&gas as target markets

ACQUIRED ASSETS ROLLED STEEL OUTPUT



OUTPUT BY PRODUCT, 2010

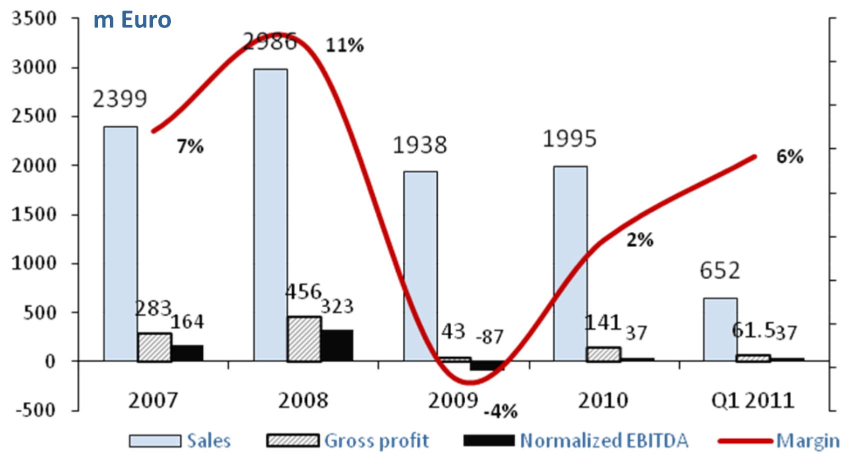


* Incl. sales of third party products of 0.2mt by distribution centers.

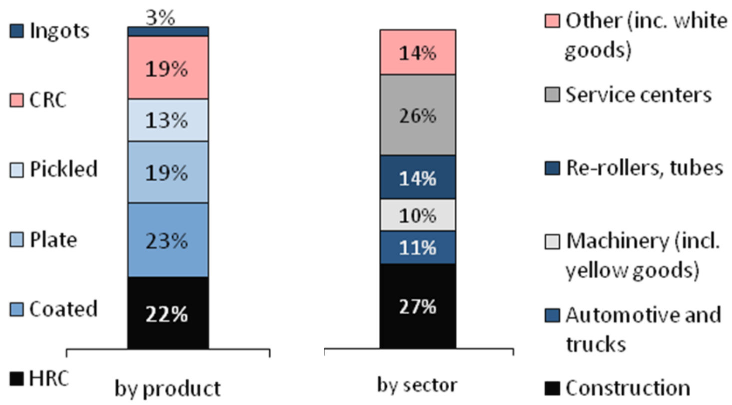
OPERATIONAL PERFORMANCE

- **Profitability restored**
  - 7-10% EBITDA margin of re-rolling business (ex-crisis)
  - Revenues to improve in 2011 on stronger prices
- **Basis for further margin improvement**
  - Capex over the last 4 years led to increased capacity and improved product quality
  - Internal sourcing of slabs ensures stable base-load and better cost visibility

SALES REVENUE AND PROFITABILITY*



SALES REVENUE BREAKDOWN, 2010

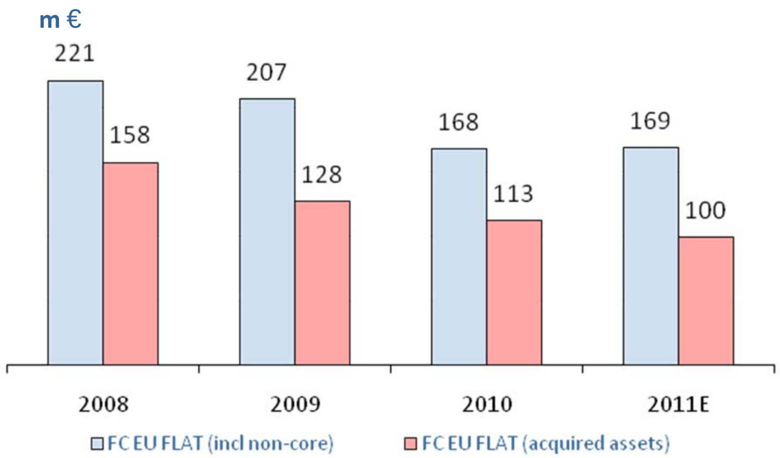


* Pro-forma financial performance (ex-non-core)

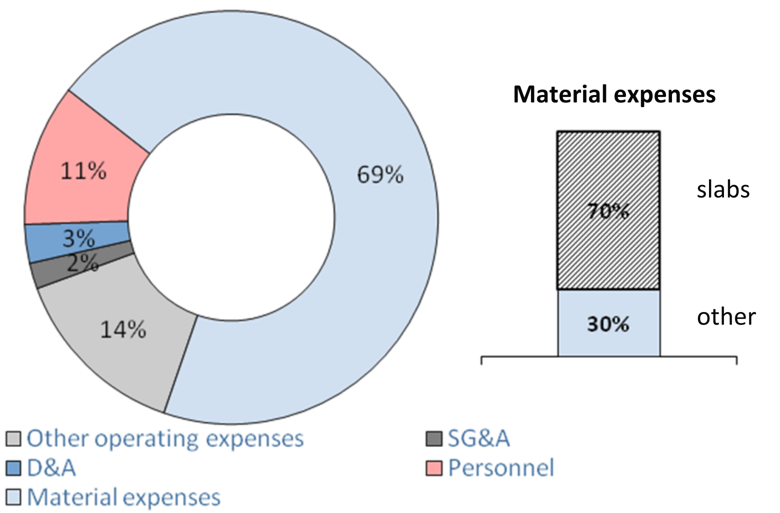
COST STRUCTURE AND DEBT POSITION

- **Non-core assets disposals leads to lower cost base**
  - Rolling assets fixed costs are 50% lower than integrated
  - Efficiency initiatives undertaken over the last 2 years resulted in meaningful and sustainable cost savings
- **Materials are 70% of total costs**
  - Slabs represent about 50% of total costs
  - Further reduction of fixed costs through operating excellence and output growth
- **JV capital structure is improved as a result of consolidation**
  - 1Q11 Net External Debt: €786 m, including €639m of working capital financing
  - 1Q11 Shareholders Debt: €621 m
  - Transaction will result in cancellation of €230m of Duferco Group shareholders debt
  - Lower cost of debt post integration

EU FLAT FIXED COSTS EVOLUTION



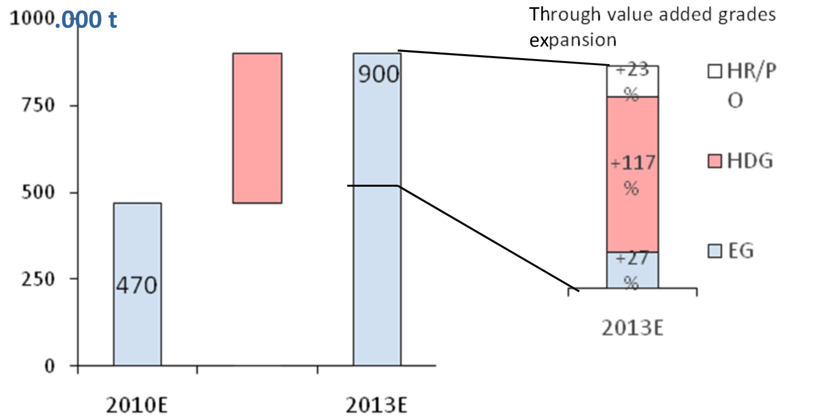
ACQUIRED ASSETS PROFORMA COST STRUCTURE



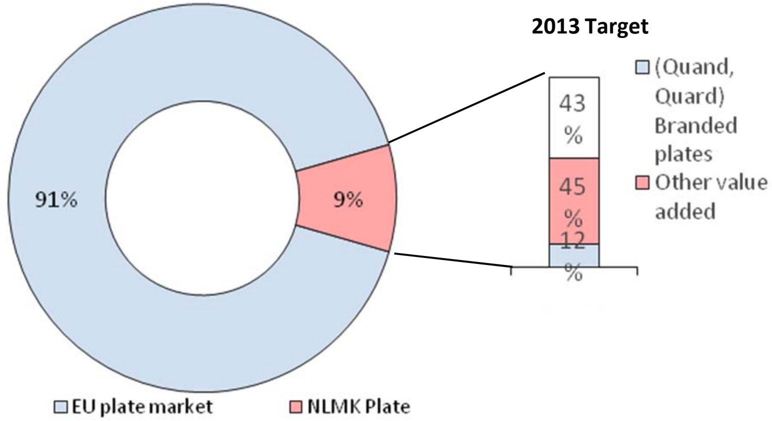
MARKET POSITIONING

- **Targeting premium segments**
  - Positioned in the heart of stable and well developed markets
  - Increasing sales to automotive sector
  - Growing exposure to other manufacturing sectors through niche products
- **Strong and long-standing customer relationships**
  - Growing share of contract based sales
  - Key customers – leaders in respective sectors
- **Differentiation**
  - Development of branded solutions
  - Consolidated responsibility for all production stages is a better interaction point for key clients
- **Well positioned for market share growth**
  - Established client base and reduced raw materials supply risks
  - Lower costs with competitive slabs, fixed costs reduction and lower working capital

GROWING SALES TO EU AUTO MARKET



SHIFTING TO NICHE PLATES MARKET

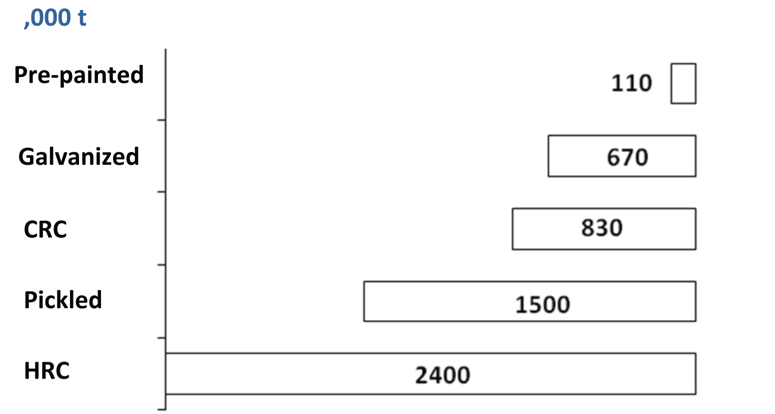


Source: CRU, Company estimates

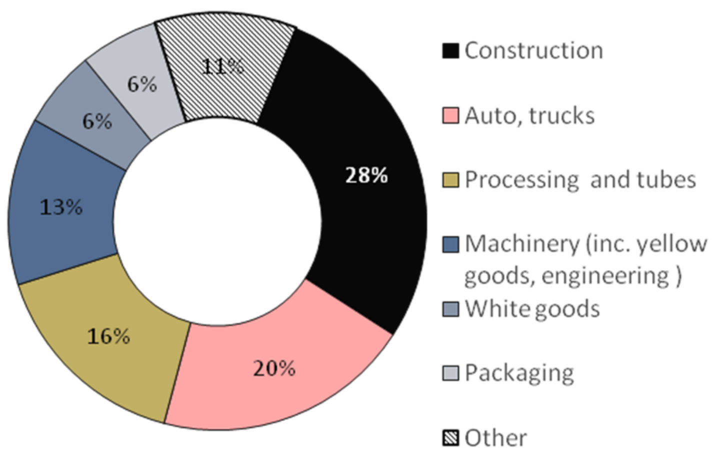
FLAT EUROPE

- **Novolipetsk slabs supplies: up to 100%**
- **Well-balanced product mix**
  - HRC - > Pickled - > CRC- > HDG/EZ - > Pre-painted
- **Value added products expansion on track**
  - +10% growth in value added capacities by 2013 up to 50% share in total portfolio
  - development of automotive grades: IF, HSS/AHSS, surface critical, high carbon

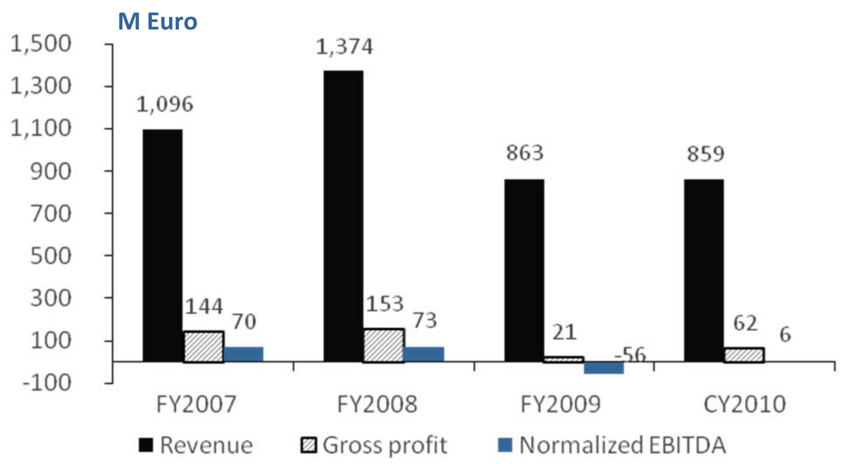
ROLLING CAPACITY



FLAT EUROPE SALES BY SECTOR



PRO-FORMA FINANCIAL PERFORMANCE

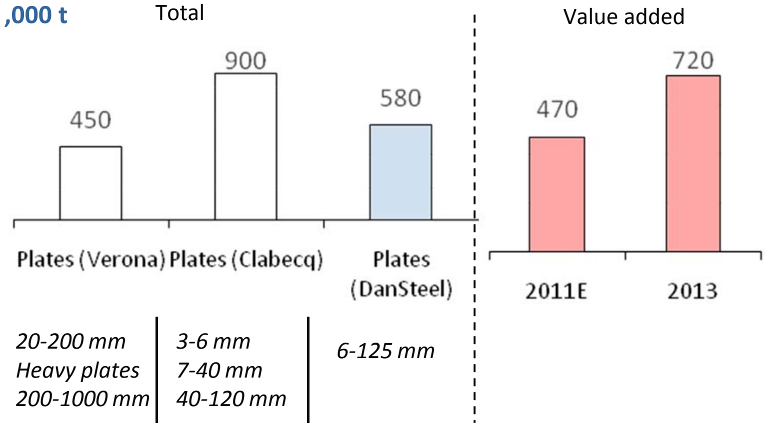


*Excl. stock write down effect

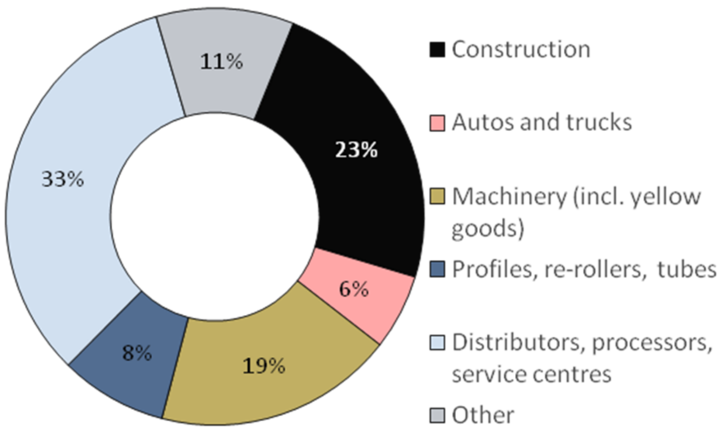
PLATES EUROPE

- **Novolipetsk slabs supplies: 80%**
- **Capacity: 1.9 m tpa, 10% of EU market (with DanSteel)**
- **Broad range of gauges from 3.0 to 1,000 mm**
- **Value added product growth**
  - from 30% HVA share in 2010 to 70% in 2017
  - 30% - DQ/Q&T* high strength plate
  - branded products growth (Quand®, Quard®)
  - growth through new niches (tool steel) and exports
- **Strong demand from manufacturing**
  - Energy, yellow goods, machinery in Germany, France, Italy

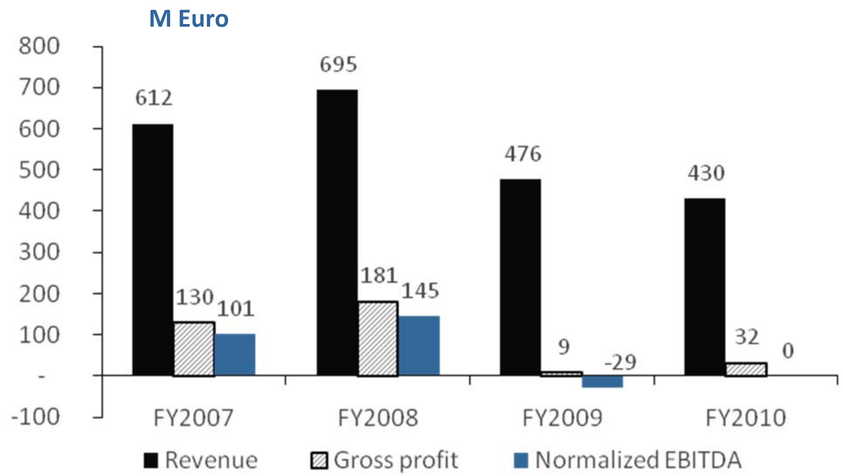
ROLLING CAPACITY**



PLATES SALES BY SECTOR



PRO-FORMA FINANCIAL PERFORMANCE***

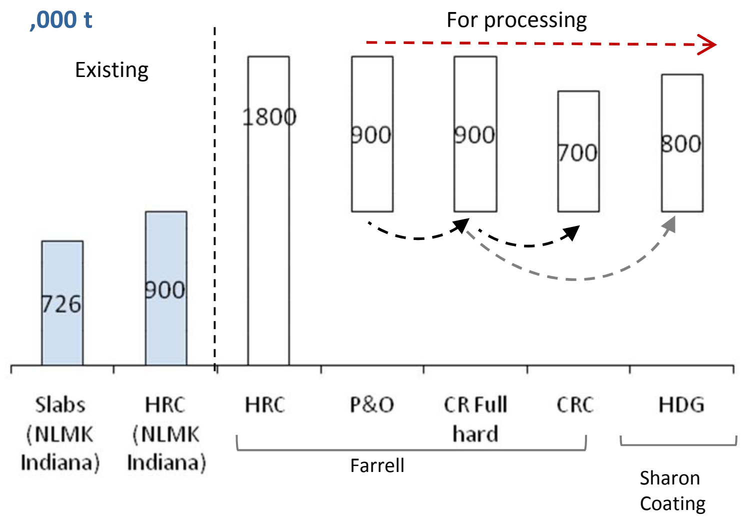


* "DQ" – direct quenched, Q&T – quenched and tempered
** Installed capacity
*** Excl. stock write down effect; excluding DanSteel

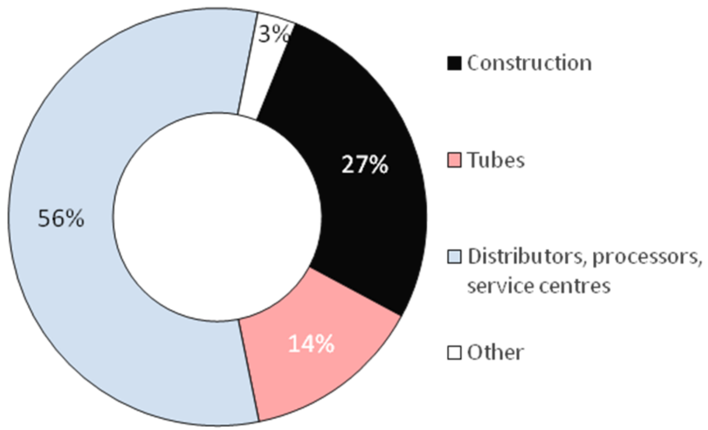
FLAT USA

- **Reliable and flexible supplier**
  - backed by imported and US-made slabs
  - industry leading conversion costs
  - well-balanced product portfolio
- **Geared for stable industrial and construction sectors**
  - c.50% of acquired capacities – value added production
  - sales to construction 25%
  - short lead times
- **Synergies with NLMK Indiana**
  - growth in specialty steel products based on EAF slabs produced by NLMK Indiana

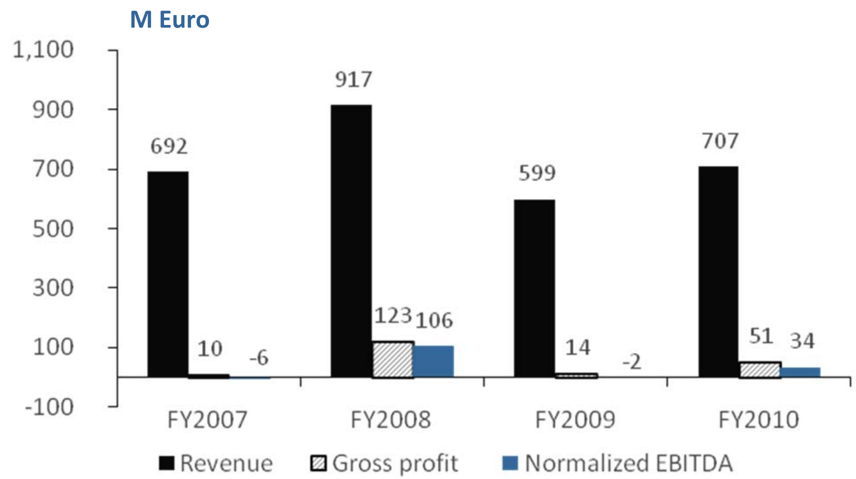
CAPACITY



KEY CUSTOMERS IN USA



PRO-FORMA FINANCIAL PERFORMANCE*



* Excl. stock write down effect; excluding NLMK Indiana

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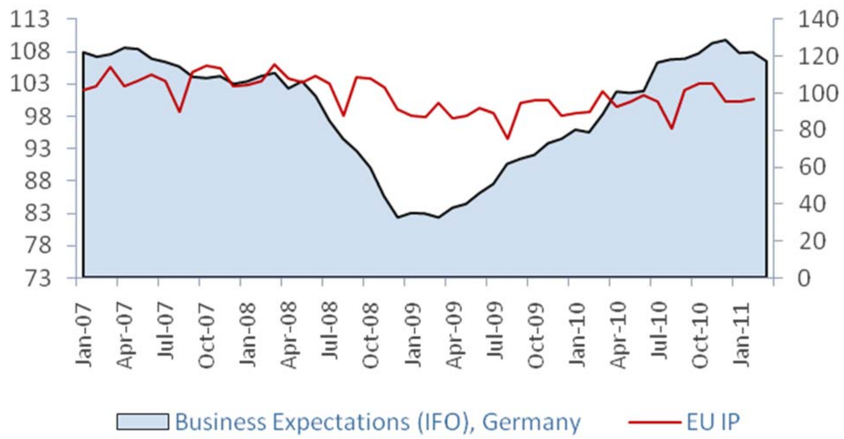
EU MANUFACTURING / MACHINERY

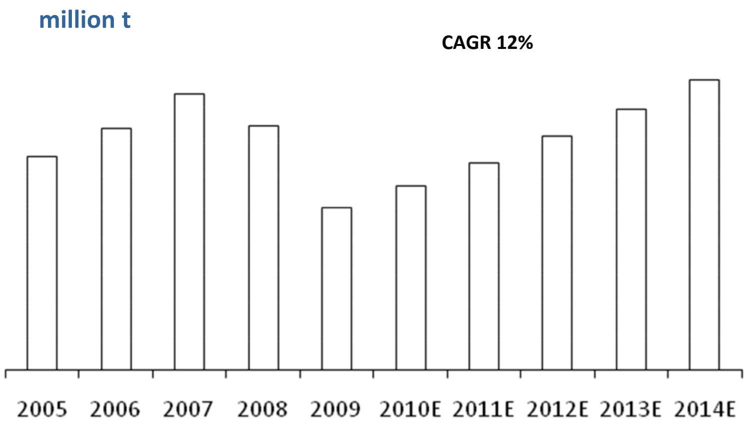
- Recent recovery in auto and machinery sectors
- Driven by continuing demand from EM
- High level of industrial utilization rates to support capex in machinery and equipment going forward

IFO BUSINESS EXPECTATION



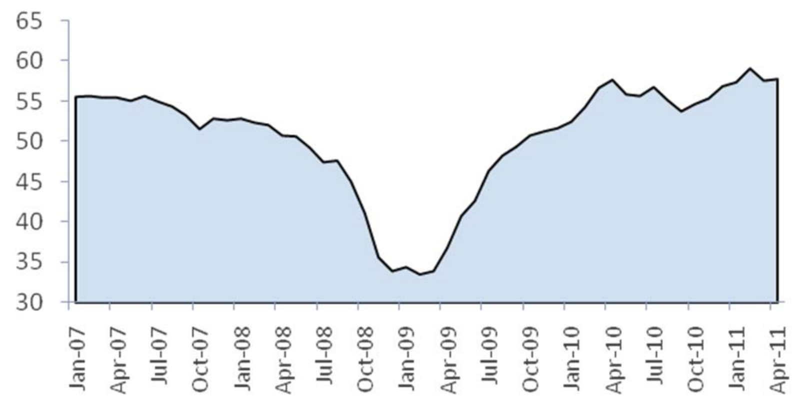
Source: Bloomberg

PLATES CONSUMPTION OUTLOOK (EUROPE)



Source: Research agencies. Company estimates

EUROZONE PMI

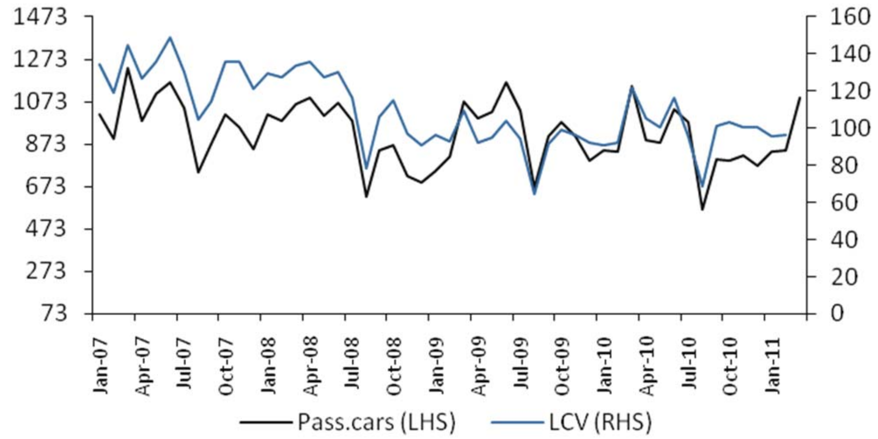


Source: Bloomberg

EU MANUFACTURING

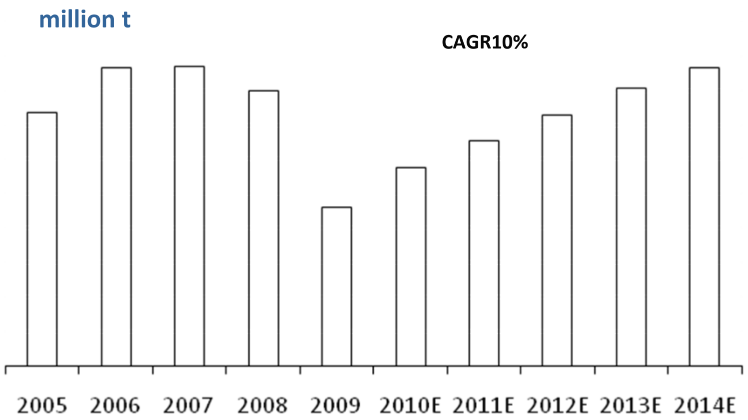
- Late cycle sectors to demonstrate positive growth
- Exposure to emerging market stable demand
- Supplemented by a stabilization in the home markets

NEW CAR REGISTRATION, ITEMS



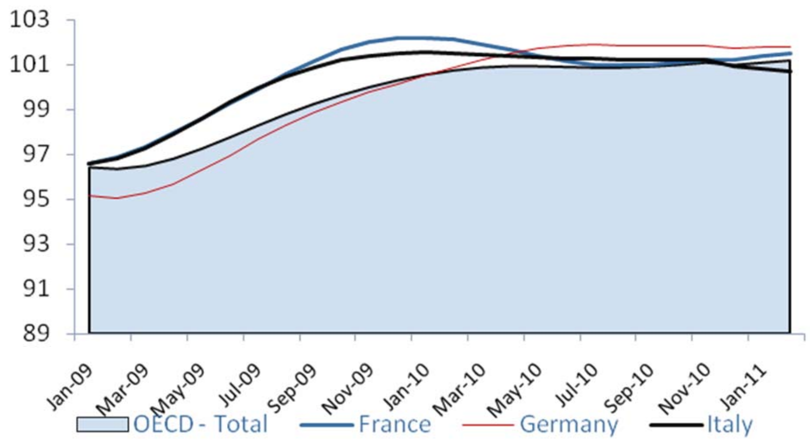
Source: Bloomberg

HRC CONSUMPTION OUTLOOK (EUROPE)



Source: Research agencies. Company estimates

COMPOSITE LEADING INDICATORS (OECD)

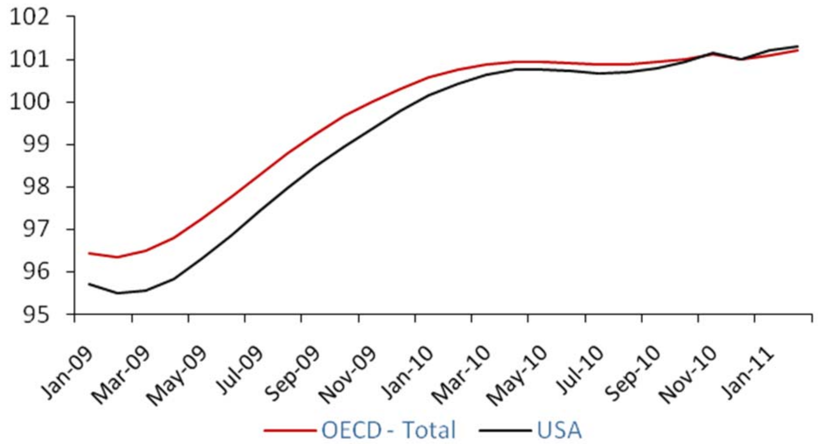


Source: OECD

USA MARKET

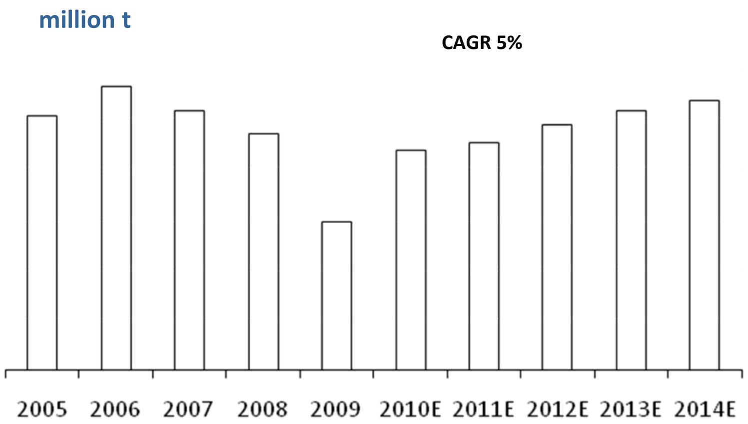
- Fixed asset investment to accelerate
- Capital goods sectors to further expand driving demand for flat steel
  - Power transmission and distribution sectors
  - Mining: Capital goods for mining as commodity prices grow and grades deteriorate
  - Engineering/automation to accelerate driven by higher demand from EM as labor costs become sensible

COMPOSITE LEADING INDICATORS (OECD)



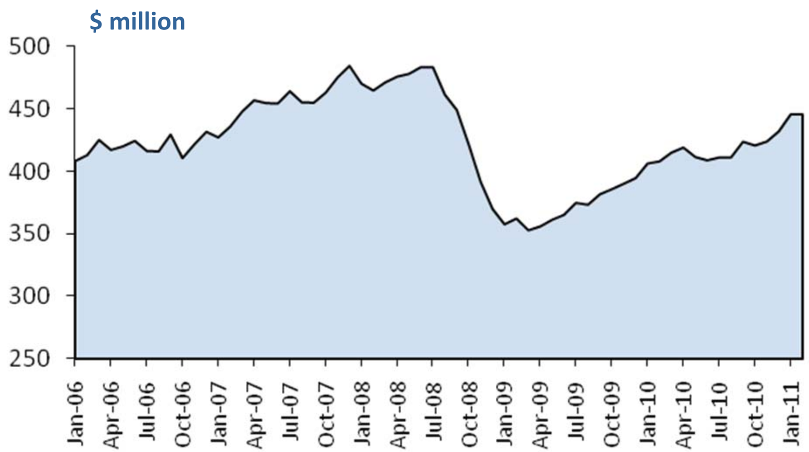
Source: OECD

HRC CONSUMPTION OUTLOOK (USA)



Source: Research agencies. Company estimates

US MANUFACTURERS NEW ORDERS



Source: US Census Bureau

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