Novolipetsk Steel

Corporate presentation

Global Metals & Mining Conference – Bank of America / Merrill Lynch

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1. Company overview

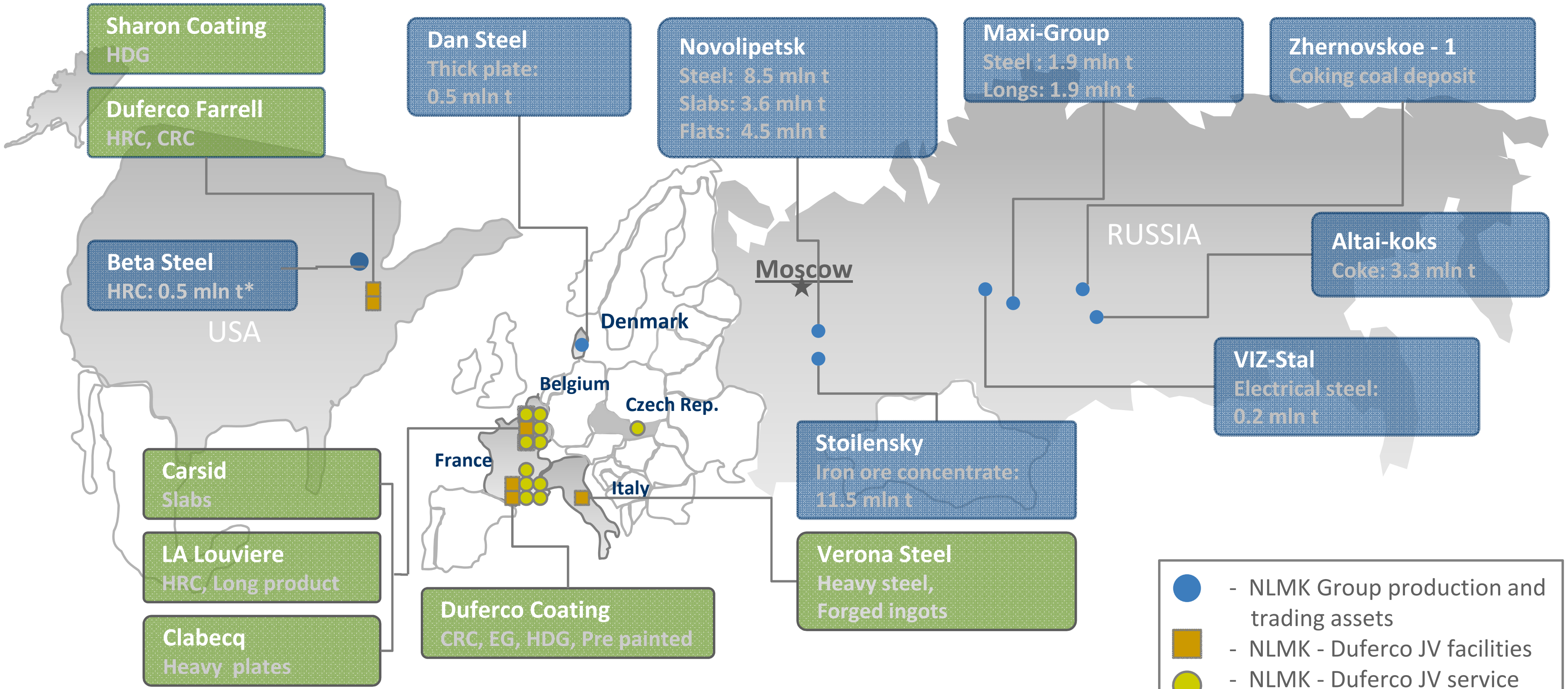
2. Development plans

3. Steel industry trends

4. Outlook

NLMK: main assets

Growing international presence



	Crude steel production	Steel products sales
NLMK Group*	10.5m t	10.2m t
NLMK-Duferco JV	2.3 m t	4.6 m t

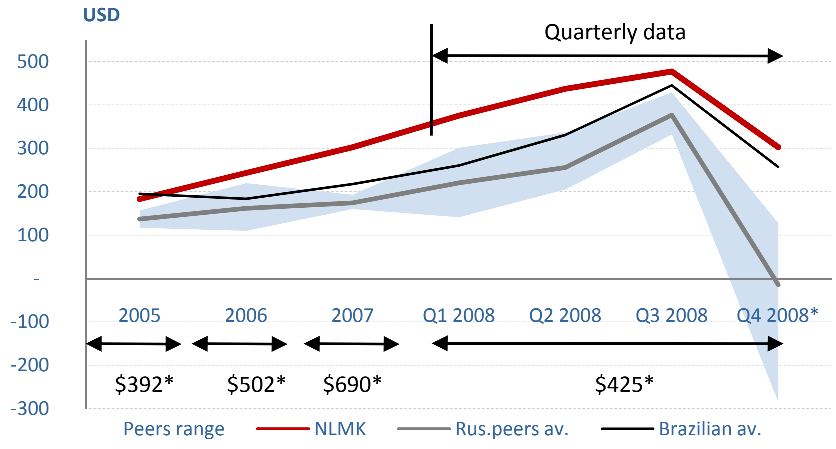
* 2008 production includes Lipetsk production site, DanSteel , VIZ-Stal , Maxi-Group and Beta Steel
** CY2008 production results. Since Beta Steel consolidation in Oct 31 2008, its production volumes reached 54,000 tonnes.

NLMK: Business profile

Key competitive advantages

- Geographic position
  - Main site in Central Russia with good transport access
  - Iron ore subsidiary just 350 kilometers away
- Efficient vertical integration
  - Self-sufficiency in core raw materials (iron ore, scrap, coke)
  - Low cost iron ore and coke production
- Balanced portfolio of assets
  - Well-invested integrated steel and raw materials assets
  - Ongoing modernization to increase productivity
- Diversified sales and products mix
  - Efficient export/domestic markets balance
  - Ability to shift products and markets
- Solid financial standing and operational performance
  - Sustainable cash flow generating business
  - Low leveraged balance sheet

EBITDA per tonne

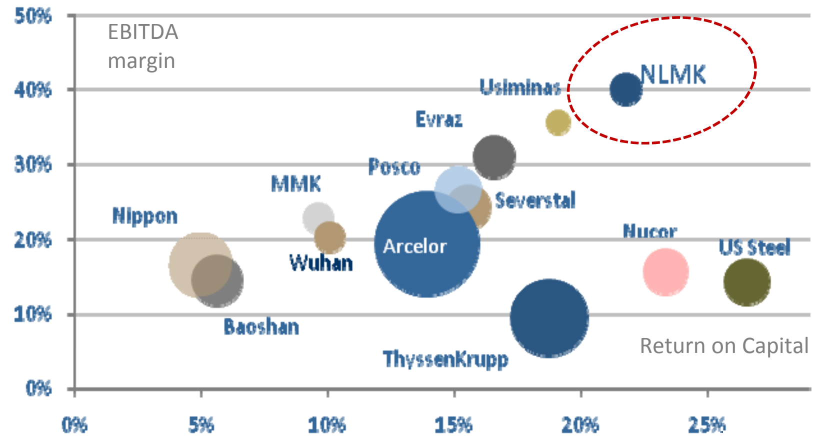


Source: Company estimates, Bloomberg Consensus, SBB

Peers range for Q4 2008 based on companies report and Bloomberg consensus

** HRC Russia FOB (SBB)*

EBITDA margin vs return on capital, 2008



Source: Company estimates, Bloomberg Consensus

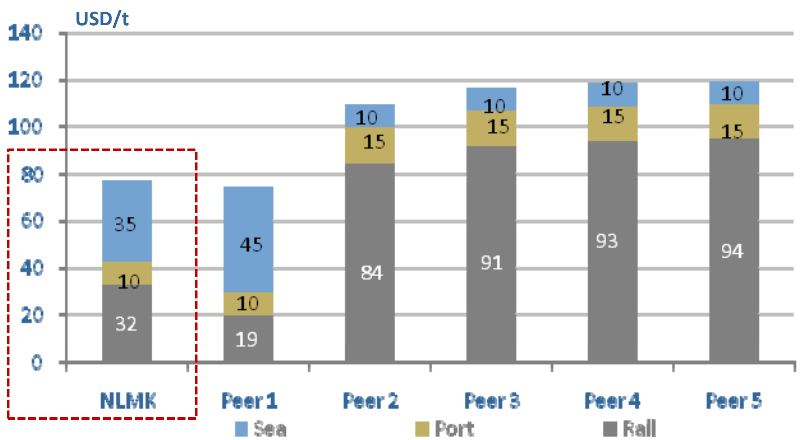
Circle size corresponds sales revenue.

Favorable geographic position

- …. allows leverage on transportation cost
  - Main assets in regions with developed infrastructure and transportation network (European Russia, the Urals)
  - Major domestic clients at less then 1,500km range
  - Short distance to raw materials and flux subsidiaries
  - Coke facility is located in the main Russian coal region

Source: RZD

Cost of transportation to China*



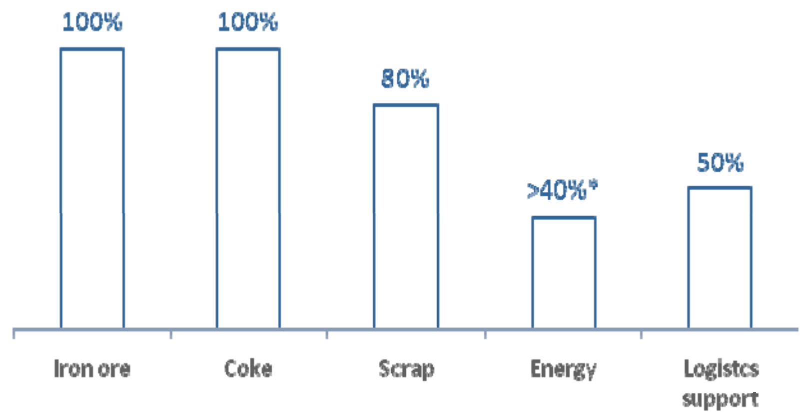
** April 2009 data. Source: Company, ING estimates*

Efficient vertical integration

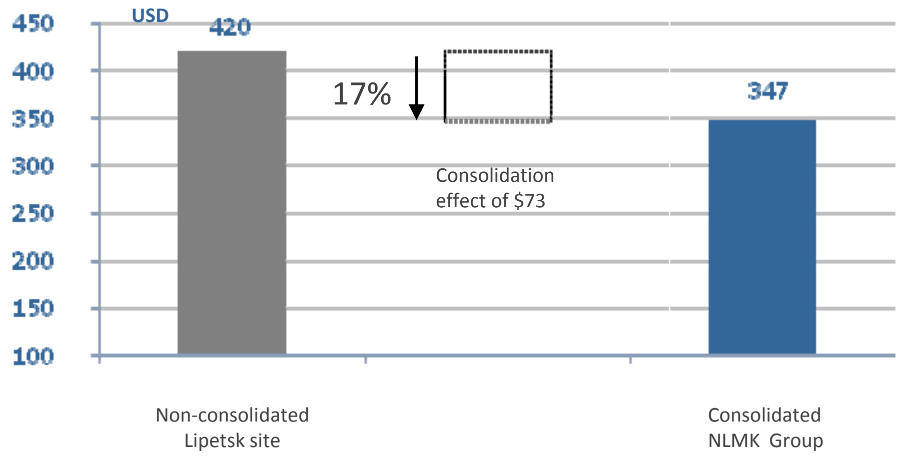
Ensures sustainably high operational and financial efficiency

- Iron ore
  - Fully self-sufficient in low cost iron ore
  - Mine life is about 190 years
- Coke and coal
  - NLMK is NOT integrated in high-cost coal mining
  - Largest and modern coke facility in Russia
  - An option to develop a 240 mt coal deposit
- Scrap
  - 80% covered by Maxi-Group and other subsidiaries
- Energy
  - Over 40% low cost self-sufficiency in Lipetsk
  - About30% cheaper then external supply
- Logistics
  - Own company ensures ~20% discount to RZD tariff

NLMK: self-sufficiency in key raw materials



Vertical integration cash cost reduction effect, 2008 example

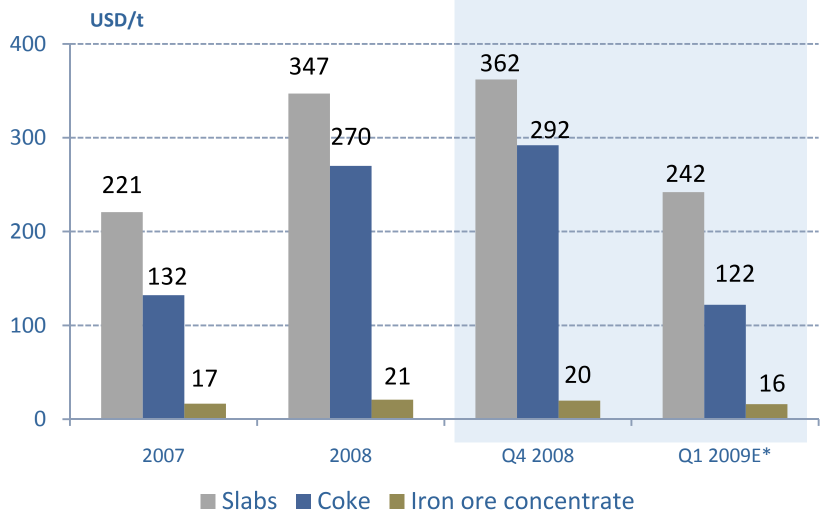


*Main plant . Energy self-sufficiency rate depends on utilization rate of steelmaking operations. At the moment Energy self-sufficiency rate c.50%

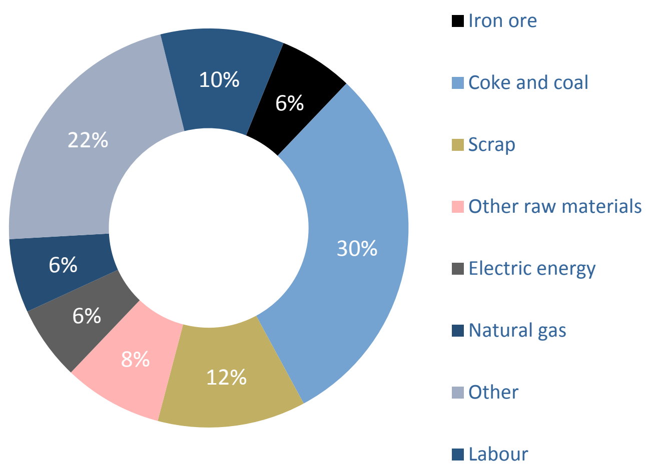
Costs

- Historically one of the world lowest cost producers
- Low share of fixed costs enables costs cuts
- 1Q 2009 costs lower due to:
  - Russian coal prices down 50-60% q-o-q
  - 30% RUR vs. USD devaluation q-o-q
  - Productivity gains and cost reduction

Cash cost by product



Consolidated cash cost per t of slab**

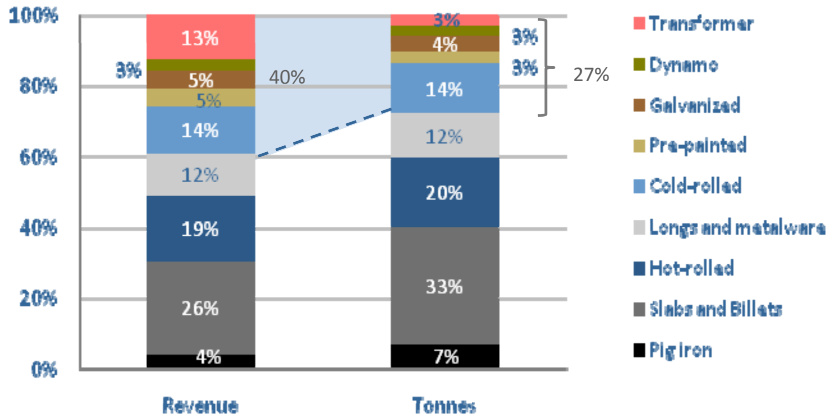


* Estimated consolidated cash cost for Q1 2009
** Preliminary data calculated at current prices for raw materials

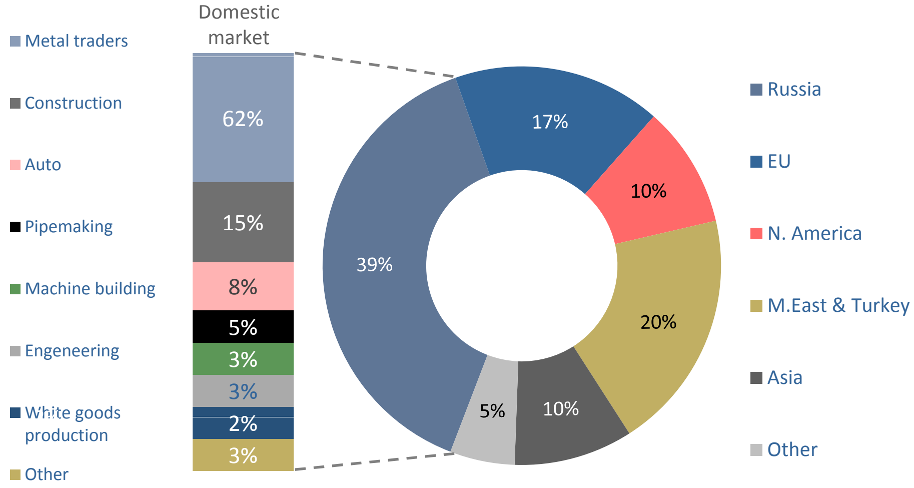
Sales and market position

- Global market:*
  - #1 transformer steel supplier
  - #1 slabs supplier
- Russian market:*
  - 60% of electrical steel market
  - C.30% in cold-rolled, pre-painted, galvanized flat steel and rebar markets

2008 sales by products: money vs tonnes*



2008 sales products by region (tonnes)*



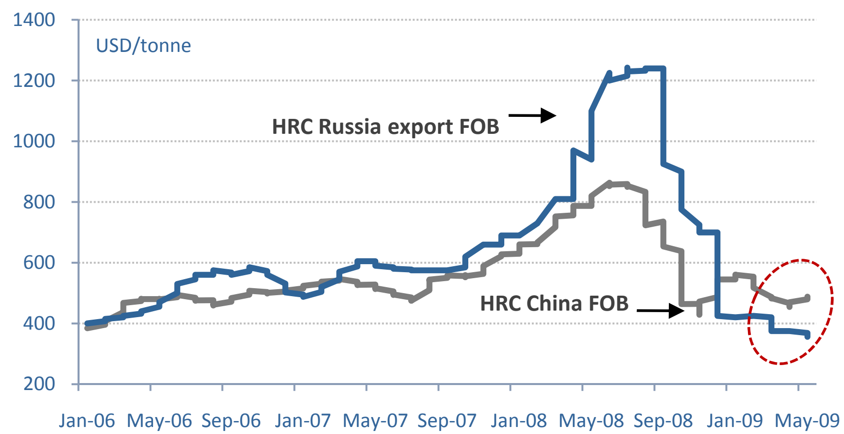
* company estimates

Sales trends in Q1 2009

CIS producers more leveraged to export markets

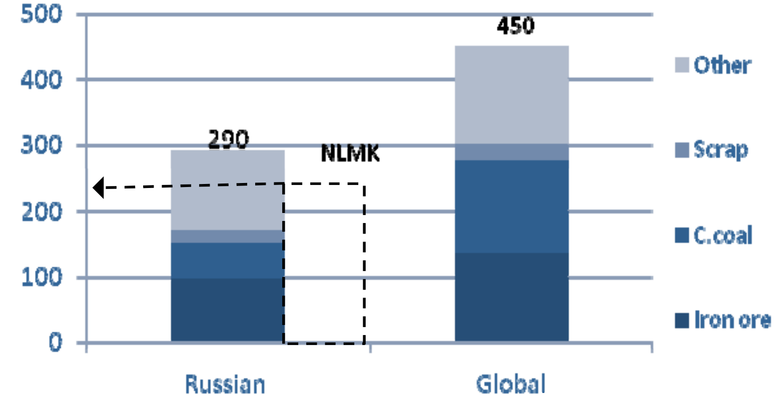
- Shift in markets and customers
  - 7% of exports to China
  - 32% of exports to S.E.Asia (ex. China)
  - 55% of slabs now sold to NLMK - Duferco JV
- Rationale:
  - High cost of steel production in Asia
  - Decreased freight cost
  - Synergies with JV facilities
- Trends to be monitored:
  - Cash cost in Russia vs China
  - Stock levels of traders and consumers
  - Capacity utilization of the main producers
  - Signs of steel demand picking up
  - Russian demand trends

HRC price: China FOB vs Russia Export FOB



Source: SBB, Bloomberg, CRU

Russian vs Global cash cost, Q1 2009



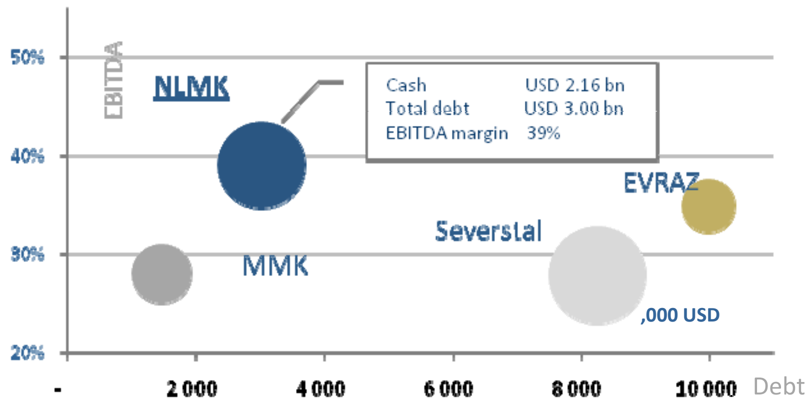
Source: Company estimates

Financials

Profitability leader with strong balance sheet

- 2008 Performance
  - Revenue USD 11.7 bn, +51% y-o-y
  - EBITDA USD 4.5 bn, +36% y-o-y
  - ROE 17 %
  - Operating cash flow USD 2.8 bn
- Financial standing
  - Long-term superior margins, ROE and cash flows
  - Conservative balance sheet with
    - USD 1 bn of STD
    - USD 1.9 bn of LTD
    - USD 0.841 bn of net debt
  - Highest credit ratings among Russian steelmakers
  - Low share of *goodwill and intangible assets*

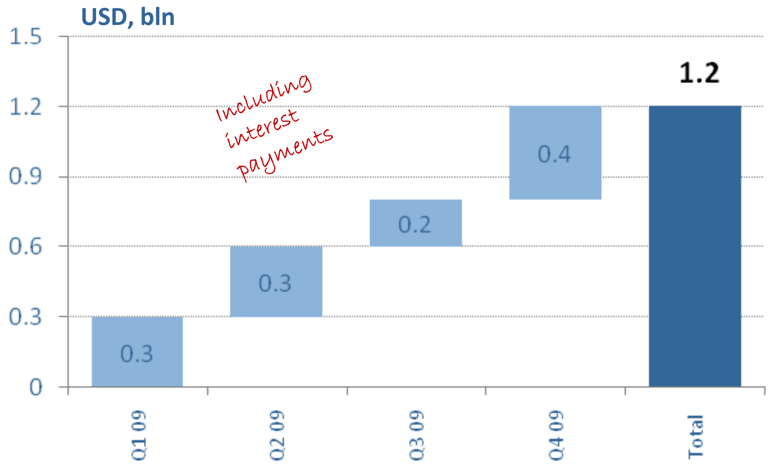
Margin, debt and cash *



Source: Companies Reports, Bloomberg as of the end of 12M 2008. Circle size corresponds to the Cash balance os of the end of the period.

** Debt and Cash for MMK reflect data as of the end of September 2008. NLMK, Evraz and Severstal - as of the end December 2008*

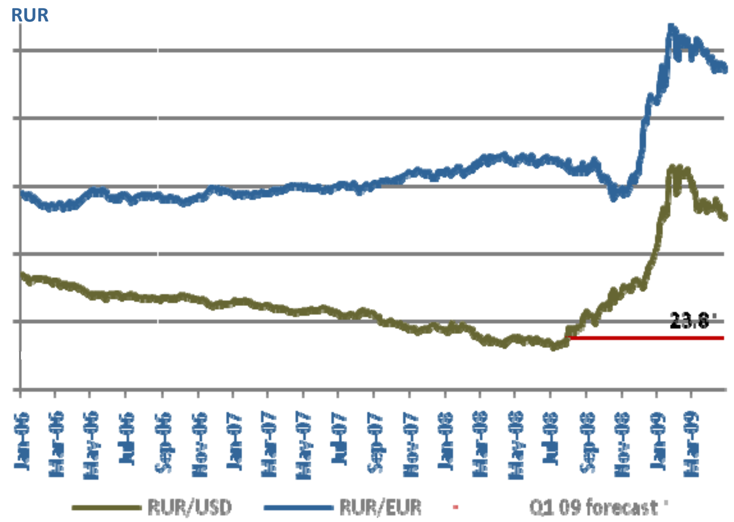
Short term debt payment*



Devaluation effect accounted for in 2008

- FX hedging policy
  - About 90% of costs are RUR denominated
  - About 60% of revenues in foreign currencies
  - Hedging started in 2006 after RUR strengthening began
  - Forward FX contracts is the main tool
- FX hedging in 2009
  - 2006 – 9M 2008 FX gain of over USD100 million
  - In 2008 hedged 30% of expected 2009 export revenues
  - Negative effect accounted for in FY2008
  - Total effect of hedging depends on FX rate change

Forex dynamics



* Source: Bloomberg consensus made by leading banks in mid-2008

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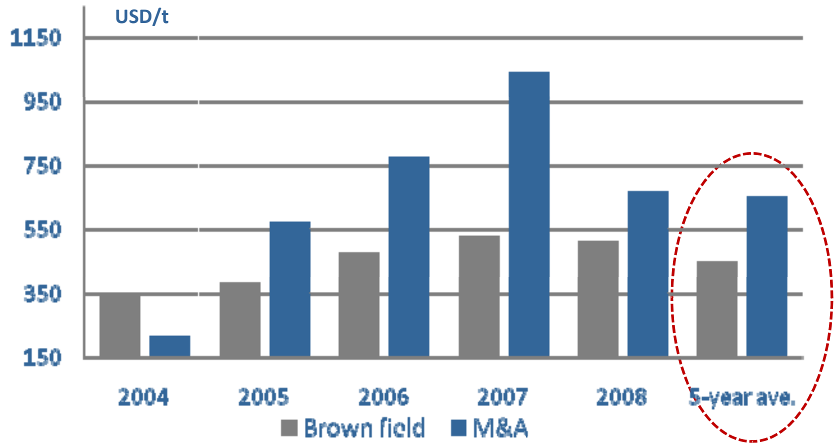
Development strategy

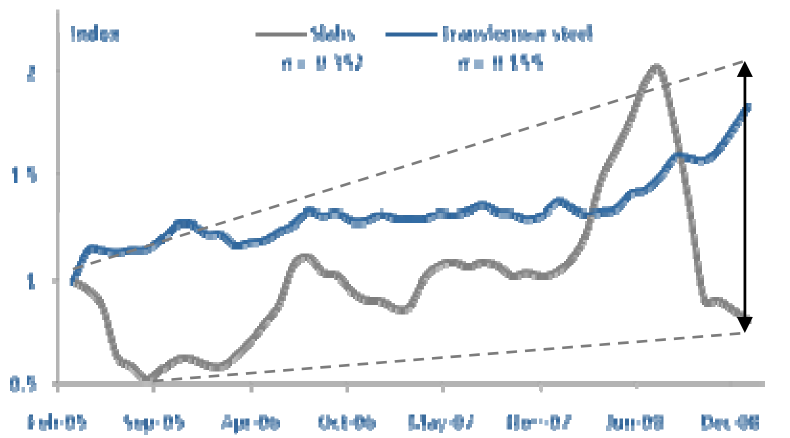
- Organic growth creates value
  - Low cost of capacity expansion in Russia
  - Further efficiency and quality improvements
  - Vertical integration development (coal, pellets, etc.)
  - Raw materials cost can be further improved
- Downstream M&A rationale
  - Lower volatility of earnings
  - Technologies and client base of target companies
  - Product portfolio and risks diversification
- Upstream M&A rationale
  - e.g. **efficient** coal assets
- Portfolio reevaluation
  - Divestment of non-core assets

Brown field expansion vs M&A



Sources: WSD, Bloomberg, companies' press releases.

Transformer steel and slabs price indexes*

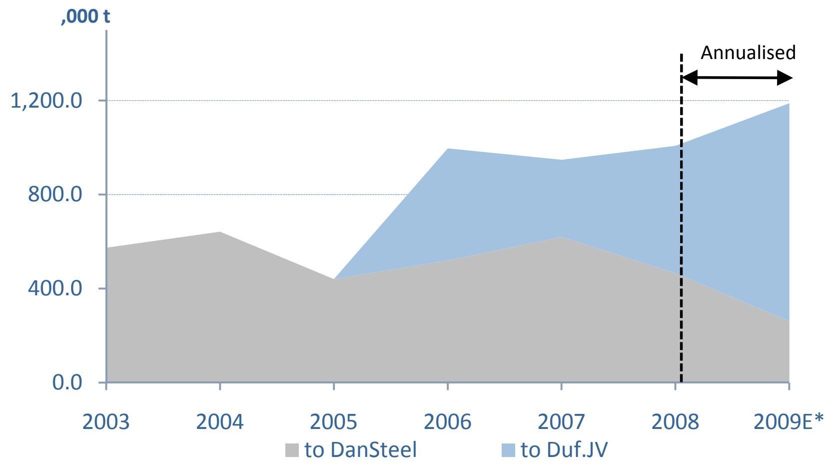


* Main production site in Lipetsk data

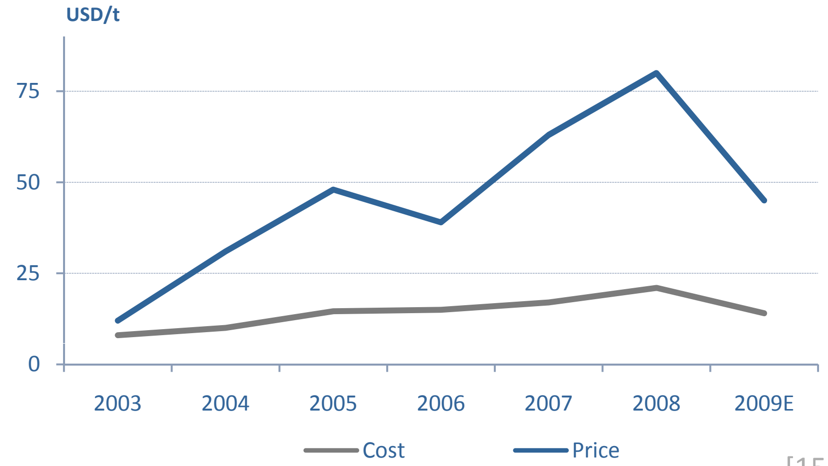
M&A growth

- Main achievements
  - Secured low cost iron ore, coke and scrap supply
  - 30% of slabs converted into HVA at own facilities
  - Added 2.4 m t output through low cost EAF production
  - Product diversification and share gains:
    - *#1 supplier of transformer steel in the world*
    - *#2 rebar supplier in Russia*
    - *c.20% of heavy plates market of N. Europe*
- Financing
  - Primarily from operating cash flows and own cash
  - Use of low cost credit opportunities

Slabs supplies to own/JV assets*



Iron ore price vs cost*

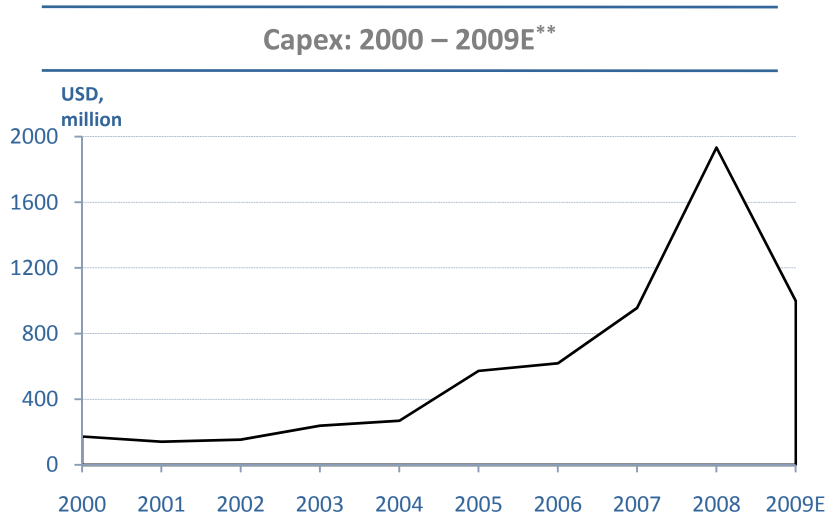


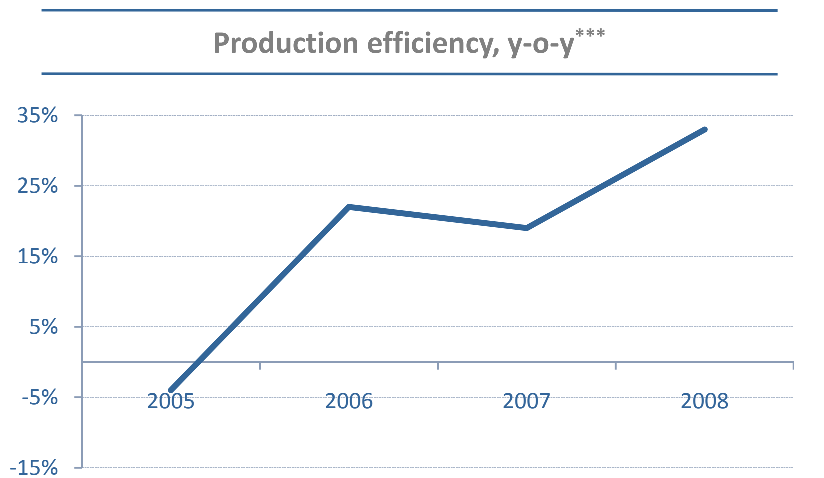
* Preliminary data (seasonally adjusted and annualised)

Organic growth

- Main achievements
  - Efficiency gains
  - Improved quality and range of products
  - Increased share of HVA products
  - Higher environmental and safety standards

- Source of financing
  - Primarily from operating cash flows and own cash funds





* From 2000 to 2012, Lipetsk production site.
** Estimated data
*** Calculated as revenue divided by the number of employees. Lipetsk production site

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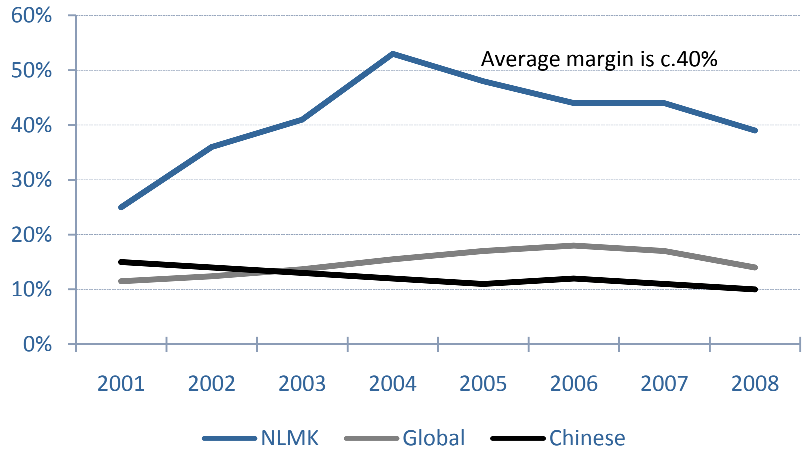
NLMK in the global market environment

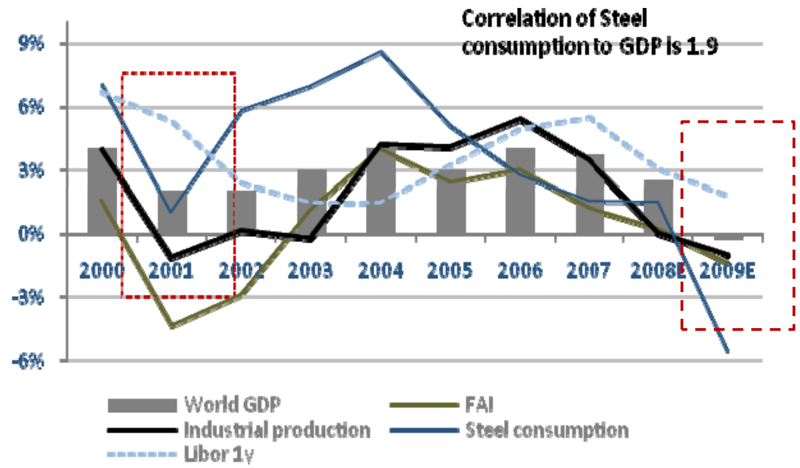
- Resilience to low market environment
  - Product mix fit to full use of low cost advantage
  - Strong export share ensures higher sales
  - Low operating leverage to provide competitive edge in weak pricing environment
- Global steel supply & demand balance
  - Steel demand is reactive to global GDP and FAI
  - Steel demand has higher recovery rates
  - Developing countries will support steel consumption
  - Low cost producers can gain from low markets

EBITDA margin: NLMK vs global peers av.



Source: WSD, Company estimates

Global steel production



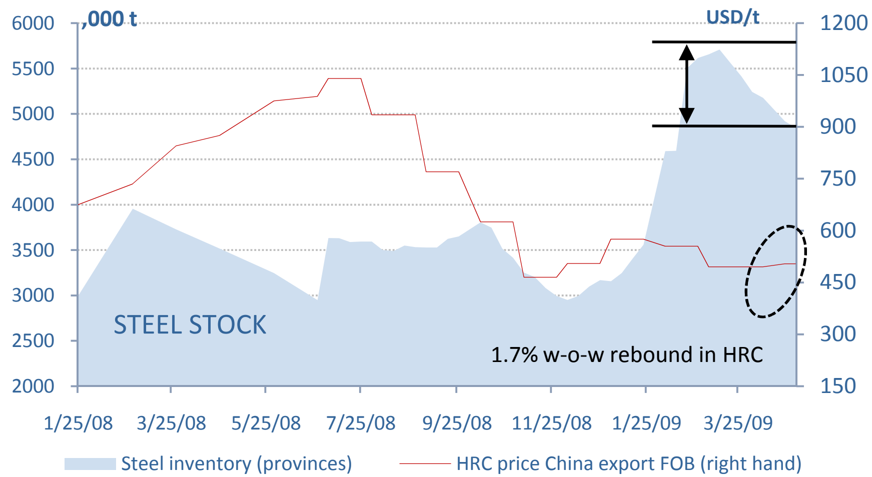
Source: IISI, World Bank, IMF, Company estimates, etc. The change is YoY for all Indikators (except Libor rate).

** Source: IISI working paper*

Global market environment: China

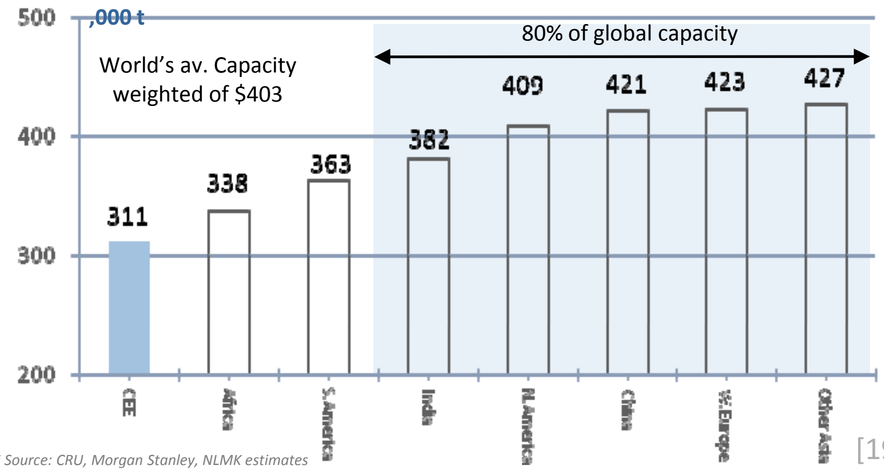
- Steel production growth in China is capped by
  - High cost of production
  - Government efforts to restructure steel industry
  - Export duties on selected steel products;
- Steel demand drivers in China
  - Q1 2009 FAI up 29% (as compared to 25.5% in 2008)
  - Infrastructure investments and fiscal stimulus
  - March real estate spending up 10%
  - Civil metal-vessels production up 14%
  - 2009 car sales planned at 10 m units
    … with 36% m-o-m in March
  - Infrastructure projects (additional 100 m t)

Steel inventories in China



** Source: Bloomberg*

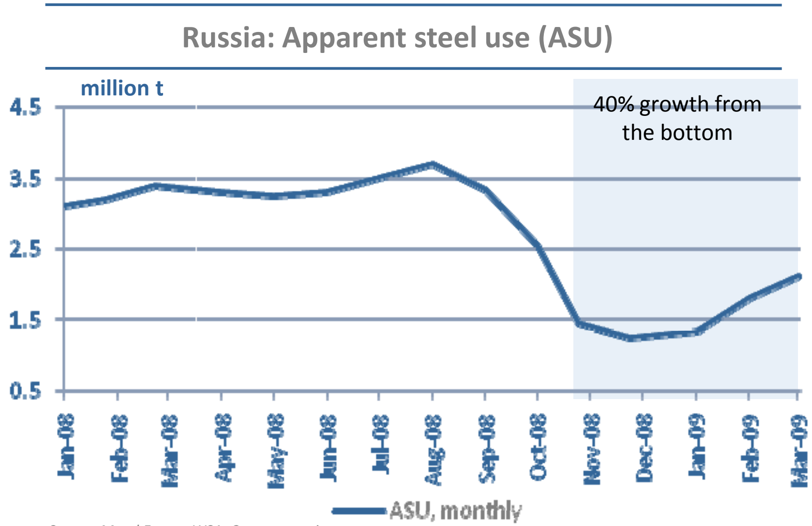
HRC cash cost in 2009



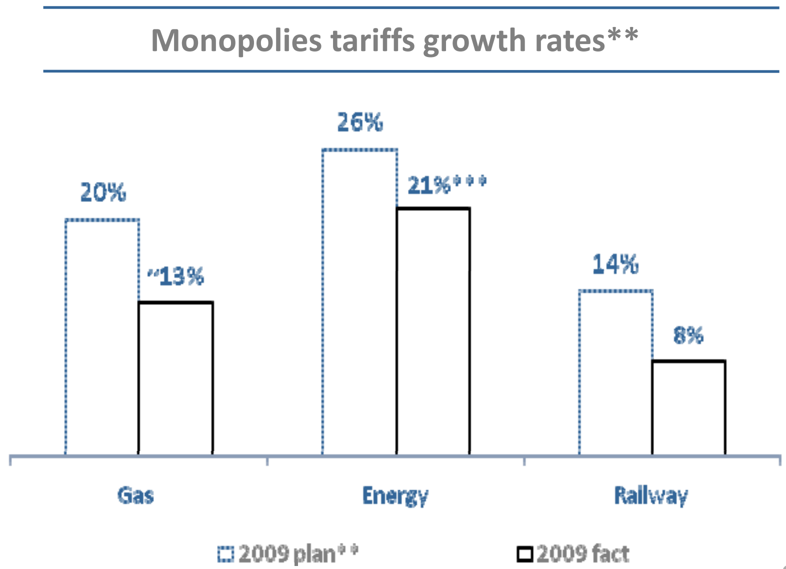
** Source: CRU, Morgan Stanley, NLMK estimates*

Russian government support measures

- Monetary authorities to support recovery
  - Lower interest rates to provide liquidity to banks
  - Central Bank effectively controls FX rates
- Government stimulus plan announced*
  - Steel-intensive infrastructure projects (2008-2015):
    - *Transportation investments USD650 bn*
    - *Grid and pipeline capex USD470 bn*
  - ~USD 17 bn to support construction sector
  - Automotive sector support
  - Timely fiscal measures
    - *Corporate income tax reduction from 24% to 20%*
    - *Pension reform postponed*
  - Cutting monopolies' appetite for tariff growth



Source: Metal Expert, WSA, Company estimates



**Source: RenCap estimates, governmental plans announced.*
***Source: Ministry for Trade and Economic Development forecast as of 21.08.2008, Rosstat*
**** Growth given own gas pipeline is commissioned at Lipetsk site*

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Outlook

- 2009 outlook
  - Revenue for Q1 2009 about USD1.1 billion
  - EBITDA margin in Q1 expected to be ~20%
  - 2009 steel output of ~10 millions tonnes
  - 2009 capex (incl. maintenance) to reach USD1 billion

- Key short- to mid-term value drivers
  - Ongoing efforts to reduce costs and increase production efficiency
  - Active sales policy shifting between products and markets to retain profits

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