



Novolipetsk Steel (NLMK)

Non-deal Investor Roadshow Presentation

November 2006

Disclaimer

This document is confidential and has been prepared by NLMK (the "Company") solely for use at the investor presentation of the Company and may not be reproduced, retransmitted or further distributed to any other person or published, in whole or in part, for any other purpose.

This document does not constitute or form part of any advertisement of securities, any offer or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for, any shares in the Company or Global Depositary Shares (GDSs), nor shall it or any part of it nor the fact of its presentation or distribution form the basis of, or be relied on in connection with, any contract or investment decision.

No reliance may be placed for any purpose whatsoever on the information contained in this document or on assumptions made as to its completeness. No representation or warranty, express or implied, is given by the Company, its subsidiaries or any of their respective advisers, officers, employees or agents, as to the accuracy of the information or opinions or for any loss howsoever arising, directly or indirectly, from any use of this presentation or its contents.

This document is for distribution only in the United Kingdom and the presentation is being made only in the United Kingdom to persons having professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

The distribution of this document in other jurisdictions may be restricted by law and any person into whose possession this document comes should inform themselves about, and observe, any such restrictions.

This document may include forward-looking statements. These forward-looking statements include matters that are not historical facts or statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and liquidity and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in future periods. The Company does not undertake any obligation to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

By attending this presentation you agree to be bound by the foregoing terms.



Agenda

- **NLMK Introduction**
- Strategic Accomplishments 2005-2006
- H1 2006 Financial Results
- Sustainable Growth Strategy 2007-2011
- Macroconditions for growth
- Q&A



Introduction to NLMK

● **Leading Russian steel producer**

- ▶ Among the world's most profitable steel companies with sales revenue of USD 4.5 bln and EBITDA margin of 47% in 2005
- ▶ Solid financial performance through the steel cycle with mid-cycle margins above 40%

● **A unique vertically integrated company**

- ▶ World class steel assets producing a broad range of high value-added products
- ▶ Mining assets integration ensures self-sufficiency in basic raw materials, iron ore and coking coal

● **Proven track record of business development in Russia and abroad**

- ▶ Disciplined approach towards M&A based on demanding efficiency and synergy targets
- ▶ Strong balance sheet and cash generation provide a platform for strategic M&A opportunities
- ▶ Implementation of the downstream growth strategy with an aim of further development of high value-added products

● **Committed to best practices in corporate governance**

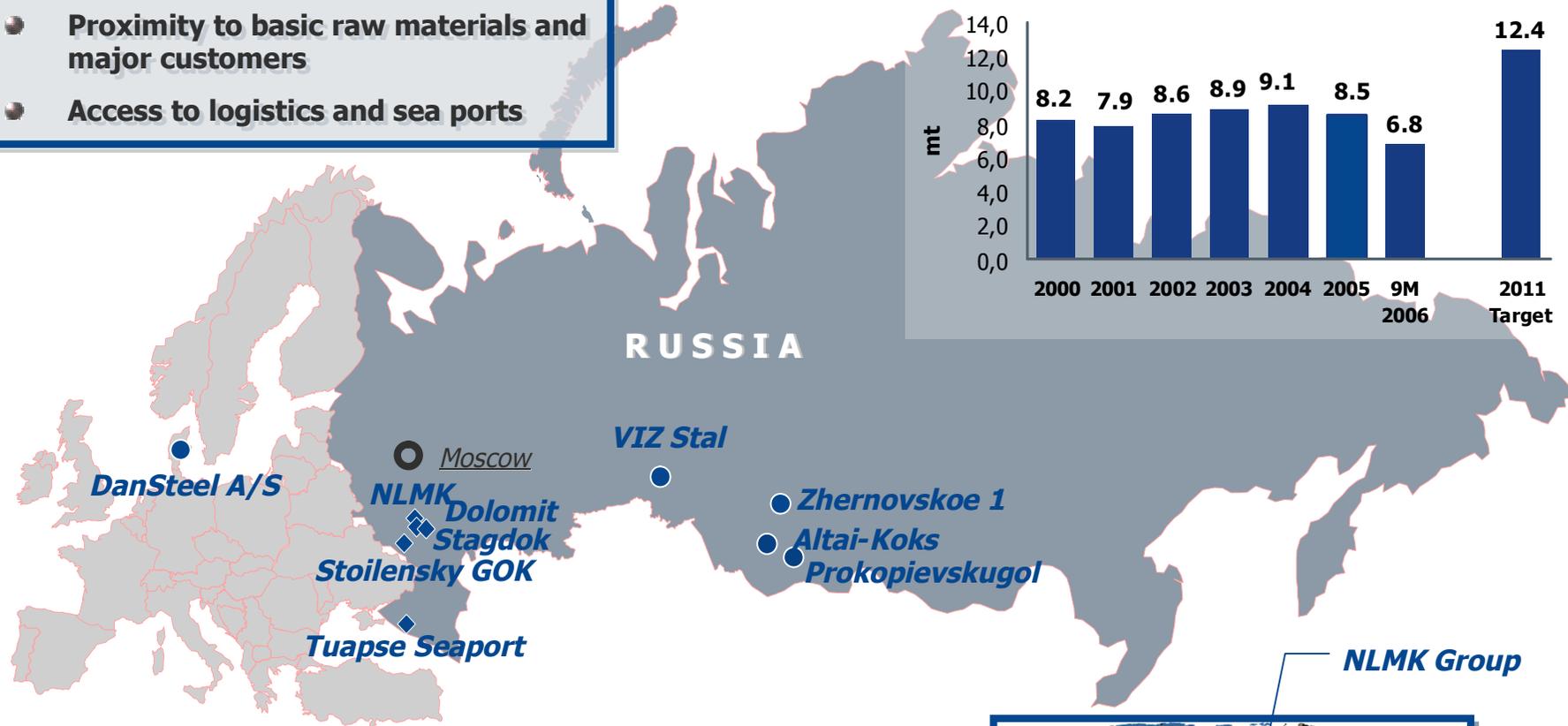
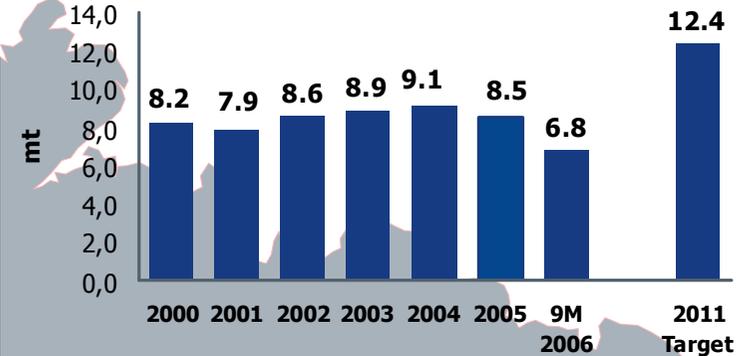
- ▶ Among the most transparent companies in Russia (S&P 2006 report)
- ▶ Currently 4 independent directors out of 9 on the Board



NLMK locations

- Single site crude steel production
- Proximity to basic raw materials and major customers
- Access to logistics and sea ports

Crude steel production



NLMK Group



- ◆ NLMK's major companies
- Newly acquired assets



Agenda

- NLMK Introduction
- **Strategic Accomplishments 2005-2006**
- H1 2006 Financial Results
- Sustainable Growth Strategy 2007-2011
- Macroconditions for growth
- Q&A



2005-2006: IPO commitments

	Commitment	Delivery
1	Upstream integration	<ul style="list-style-type: none"> ● Stoilensky GOK – 100% self-sufficiency in iron ore concentrate ● Disposal of KMA Ruda – unlocked value USD 300mln ● Zhernovskoe-1 and Prokopievskugol – current 50% self-sufficiency in coking coal (100% by 2009) ● Altai-koks – coke market entry
2	Downstream expansion	<ul style="list-style-type: none"> ● DanSteel A/S – 500K tpy plates sales increase ● VIZ Stal – 200K tpy electrical steel sales increase
3	Phase 1 Technical Upgrading Program	<ul style="list-style-type: none"> ● Total investment – USD 1.3 bln ● Achieved IRR on investment over 35%
4	Stringent cost management	<ul style="list-style-type: none"> ● Slab production costs reduction in 1H 2006 – 9% YoY



Objective 1: Upstream expansion

● **Coke and coal: Altai-koks and Prokopievskugol**

- ▶ NLMK acquired Altai-koks, the largest Russian non-integrated coke producer, and Prokopievskugol coal mining company for USD 650 mln. The acquisition allowed to secure coke supply and to enter the coke market
- ▶ **Altai-koks** is the leader in high-quality coke production with a capacity of 5 mln t
- ▶ **Prokopievskugol** is a coal mining company with an annual coking coal concentrate capacity of 3 mln t. Total reserves are 200 mln t (130 mln t of coking grades)¹



● **Iron ore: Disposal of KMA Ruda**

- ▶ NLMK disposed of 92% interest in KMA Ruda for USD 300 mln (net profit USD 166 mln) unlocking value of non-strategic asset. Proceeds invested in the development of Stoilensky GOK
- ▶ Stoilensky GOK is NLMK's key iron ore asset with total reserves of 5,000 mln t supplying growing iron ore needs



1. Existing and projected horizons (unaudited)

Objective 2: Downstream integration

● **DanSteel A/S**

- ▶ NLMK acquired 100% stake in DanSteel A/S, a Danish plate maker with a capacity of 0.5 mln tonnes, for USD 104m
- ▶ Transaction is in line with the strategy of acquiring rolling mills in core markets and developing finished product range
- ▶ NLMK has been a supplier of slabs to DanSteel from 2002



● **VIZ Stal**

- ▶ Acquisition of 100% of VIZ Stal, a Russian electrical (grain-oriented) steel producer with an annual capacity of 0.2 mln tonnes, for USD 550 mln
- ▶ As a result NLMK gains control of over 20% of the global grain-oriented steel market
- ▶ Synergy effect (HRC supply, R&D, logistics): USD 180 mln
- ▶ VIZ Stal expected 9M 2006 revenue is USD 405 mln, EBITDA margin of over 50%



Objective 3: Phase 1 Technical Upgrading Program

NLMK has completed the first phase of the Technical Upgrading Program (2000 to 2005) committing total investments of USD 1.3 bln

● **The following objectives were accomplished:**

- ▶ Increase in crude steel production from 8.2 mln to 9.1 mln tpy
- ▶ High value-added products output growth of 34%
- ▶ Unit costs reduction: coke, energy, flux, auxiliary materials
- ▶ Achieved 38% energy self-sufficiency
- ▶ Significant labor productivity increase
- ▶ Improvement of on-site health and safety conditions
- ▶ 13% reduction in atmospheric emissions

● **Phase 1 Technical Upgrading Program key figures:**

- ▶ Total investment: USD 1,300 mln
- ▶ Achieved IRR on investment: over 35%



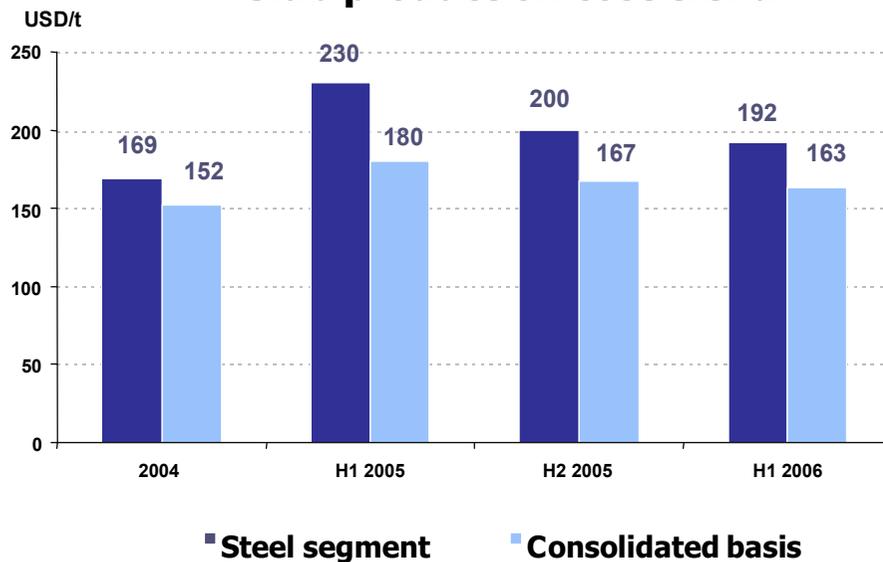
Objective 4: Stringent cost management

● Slab production costs reduction in H1 2006 to USD 163 per tonne (-9% YoY)

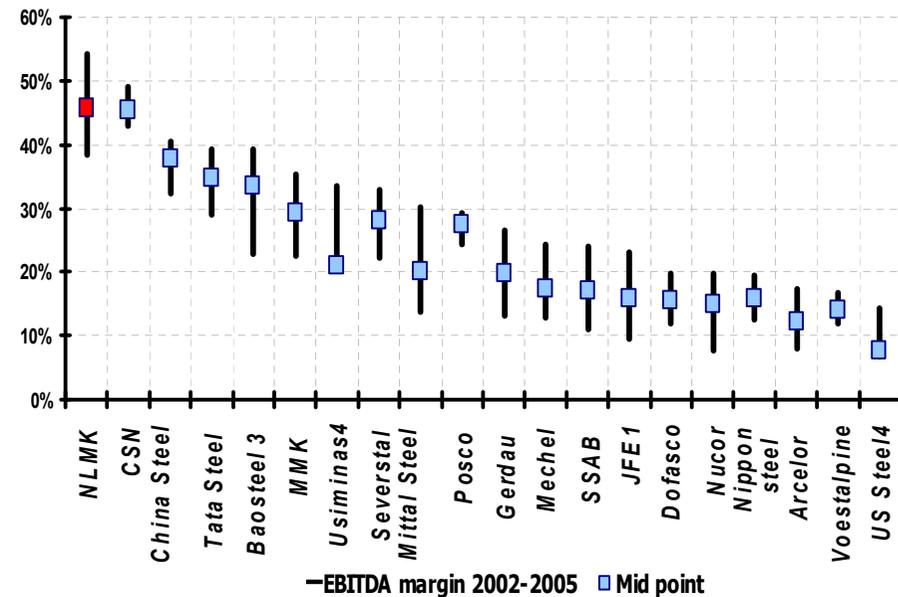
● Factors contributing to costs reduction:

- ▶ upstream assets consolidation
- ▶ growth of production volume
- ▶ decrease in maintenance costs in H1 2006

Slab production cost trend



EBITDA margin 2002-2005¹



1. Company estimates

Agenda

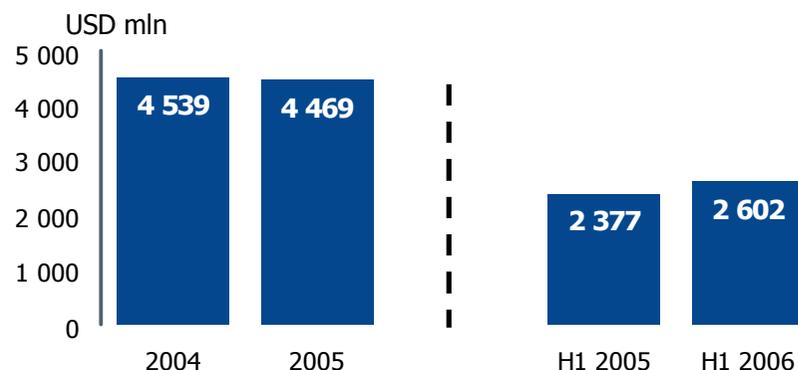
- NLMK Introduction
- Strategic Accomplishments 2005-2006
- **H1 2006 Financial Results**
- Sustainable Growth Strategy 2007-2011
- Macroconditions for growth
- Q&A



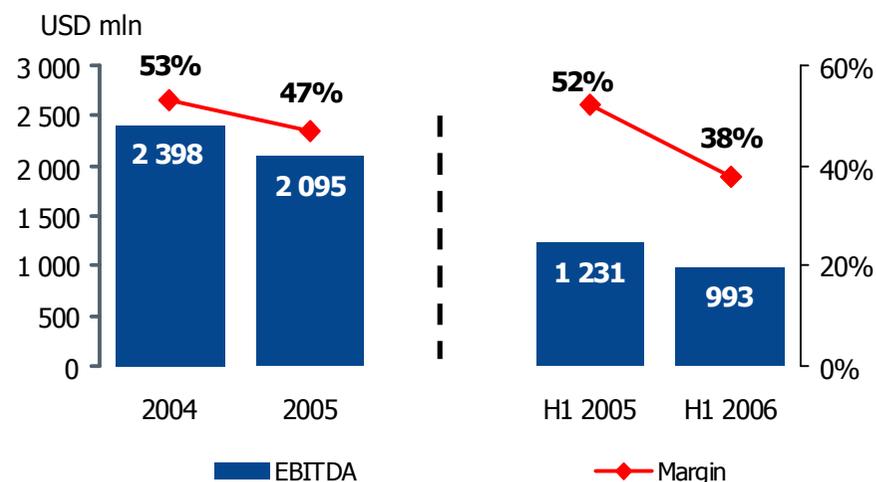
H1 2006 financial highlights

- Sales revenue of USD 2.6 bln
- Operating cash flow of USD 527.8 mln
- Net income of USD 944 mln
- ROE of 34%
- EBITDA of USD 993 mln, margin of 38%
- Cash and cash equivalents of USD 1.4 bln as at June 30, 2006

Sales revenue¹



EBITDA^{1,2}

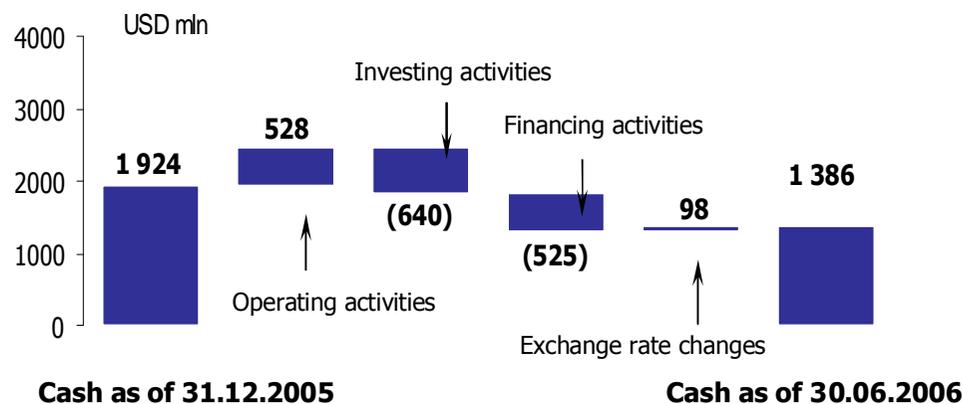


¹ Net of DanSteel A/S results to be consolidated in 2006

² EBITDA is calculated as the sum total of net profit, net interest expense, income tax, loss on disposal of fixed assets, depreciation and amortization and stock-based compensation (without gain/ (loss) on investments).

Cash objectives

1H 2006 Cash Flow



CASH FUNDS

Technical Upgrade

- ▶ Phase 1 (2000-2005): USD 1.3 bln
- ▶ Phase 2 (2007-2011): USD 4.4 bln

M&A activities

- ▶ Upstream: USD 736 mln
- ▶ Downstream: USD 654 mln
- ▶ Project pipeline: acquisition of 3.5 mln t of rolling capacity

Dividends

- ▶ 2005 total dividends: USD 660 mln
- ▶ H1 2006 interim: USD 336 mln
- ▶ 30% of US GAAP net income – an average dividend payment during 5 period
- ▶ Proceeds from divesting non-core assets are used for special dividend payments

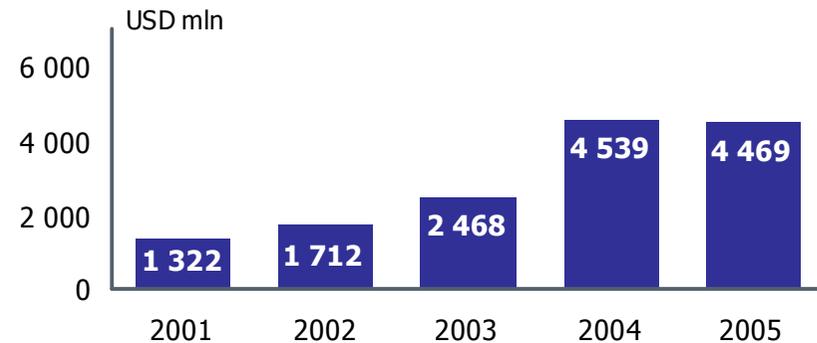


2006 outlook

Historical performance 2001-2005

- EBITDA CAGR is 45%
- Average EBITDA margin above 40%
- Average operating cash flow is USD 0.9 bln
- Average ROE of 27%

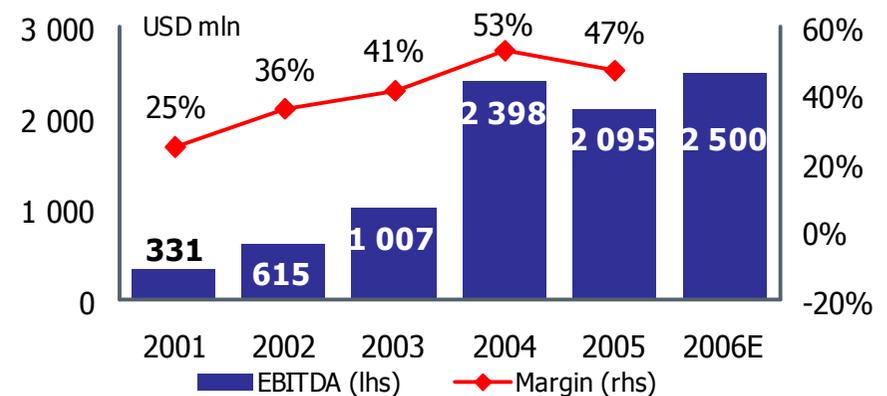
Sales revenue¹



FY 2006 Outlook

- Sales revenue growth over 35% (YoY)
- Operating profit growth over 30% (YoY)
- EBITDA margin over 40%

EBITDA^{1,2}



¹ Net of DanSteel A/S results to be consolidated in 2006

² EBITDA is calculated as the sum total of net profit, net interest expense, income tax, loss on disposal of fixed assets, depreciation and amortization and stock-based compensation (without gain/ (loss) on investments).

Agenda

- NLMK Introduction
- Strategic Objectives (2005-2006)
- H1 2006 Financial Results
- **Sustainable Growth Strategy (2007-2011)**
- Macroconditions for growth
- Q&A



Strategic objectives 2007-2011



- **To increase crude steel production by 40% to 12.4 mln tpy**
- **To achieve 100% self-sufficiency in major raw materials covering the projected increase in steel production**
 - ▶ To increase iron ore concentrate production by 25%
 - ▶ To double coking coal production
- **To increase production of finished flat steel products by 90% to 9.5 mln tpy reducing earnings volatility**
- **To achieve 47% EBITDA growth in 5 years**



Core growth: increase in liquid steel production...



Crude steel objectives:

- Total investments: USD 2.4 bln
- Growth of production: 3.4 mln
- EBITDA impact: +15%



- **To increase crude steel production to 12.4 mln tpy**
- **Quality improvements**
 - ▶ Boost share of vacuum degassed steel to 50% of total output
- **Phase 2 of the Technical Upgrading Program includes following key projects:**
 - ▶ Construction of a new blast furnace #7
 - ▶ Renovation of 3 out of 5 existing blast furnaces
 - ▶ Renovation of Basic Oxygen Furnace Shops: installation of a new converter and concasters
 - ▶ Boost energy self-sufficiency from 38% to 60%

Core growth... supported by raw materials self-sufficiency

Raw materials objectives :

- Investments: USD 1.1 bln
- Coal production growth: 5 mln t
- Coke production growth: 1 mln t
- Iron ore concentrate production growth: 2.5 mln t
- EBITDA impact: +16%



Key inputs	2011E production (mln tpy)	Change	Projected investments (USD mln)
Iron ore concentrate			
▶ production	15.0	+25%	245.0
▶ sales	11.6		
Pellets	3.0	-	280.0
Coking coal concentrate	8.1	+200%	511.0

Core growth... balanced by rolled products output increase



Flat rolled steel objectives:

- Investment: USD 0.9 bln (excluding M&A)
- Growth of rolled sheet production: 4.5 mln tonnes
- EBITDA impact: +29%

Planned slabs output

12.4 mln tonnes

Lipetsk rolling facilities

5.9 mln t

DanSteel A/S

0.7 mln t

Future acquisitions

3.5 mln t

External sales

2.3 mln t

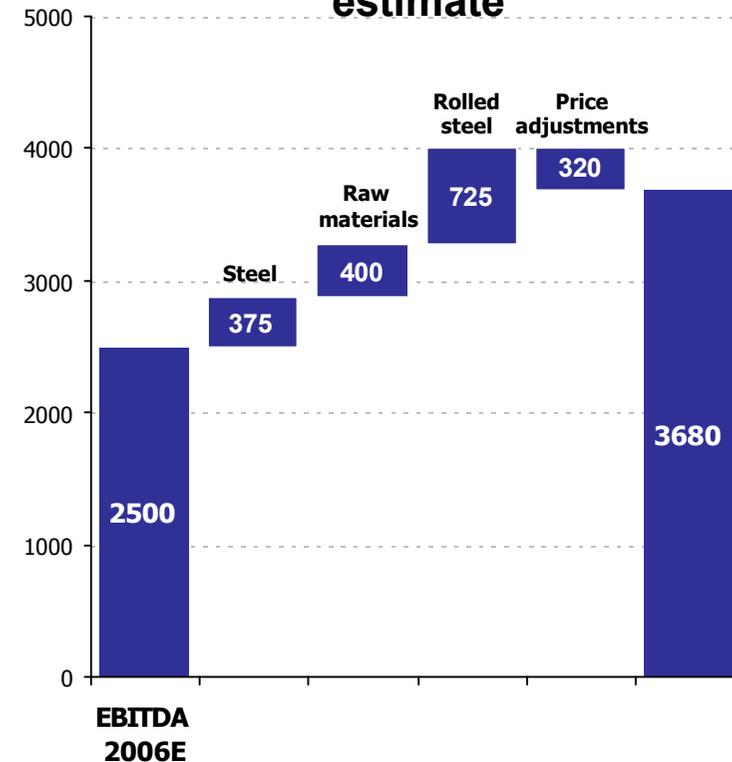
NLMK in 5 years



Key performance indicators:

- ▶ Steel production: 12.4 mln tpy
- ▶ Rolled steel production: 9.5 mln t, including 3.5 mln tonnes on acquired facilities outside Russia
- ▶ 100% self-sufficiency in raw materials
- ▶ Full compliance with international quality standards
- ▶ Leadership positions in strategic markets (slabs, flats, electrical steel)
- ▶ Average mid-cycle EBITDA after program completion: USD 3.7 bln

Average mid-cycle EBITDA estimate



Agenda

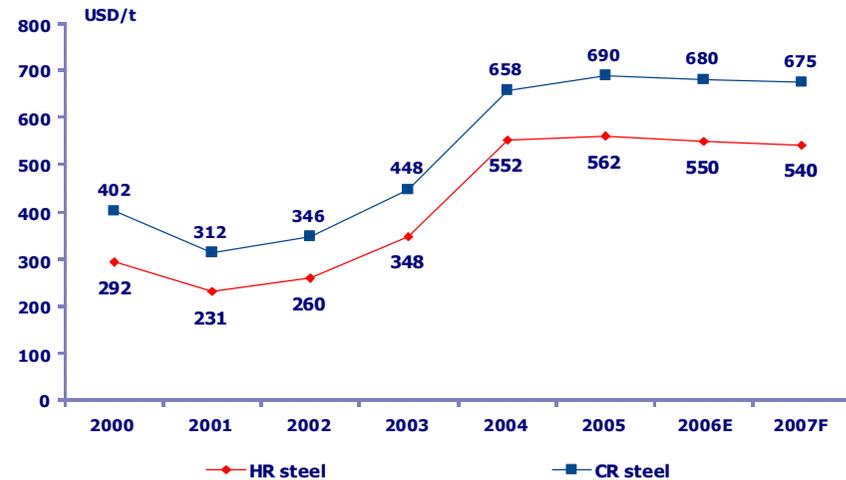
- NLMK Introduction
- Strategic Objectives (2005-2006)
- H1 2006 Financial Results
- Sustainable Growth Strategy (2007-2011)
- **Macroconditions for growth**
- Q&A



Global conditions for growth

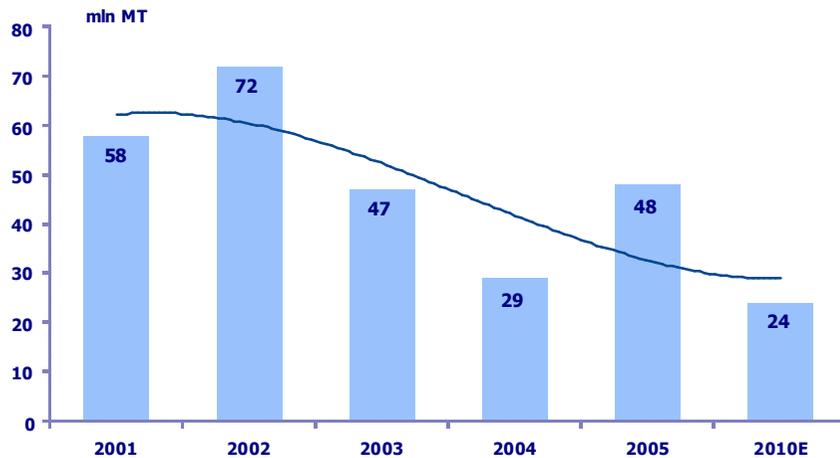
- We believe that global steel demand will rise by 3-5% annually for the next decade
- Excess capacity will be controlled with continuing consolidation
- As a result price visibility will improve

PRICE DEVELOPMENT FOR HR AND CR STEEL*1

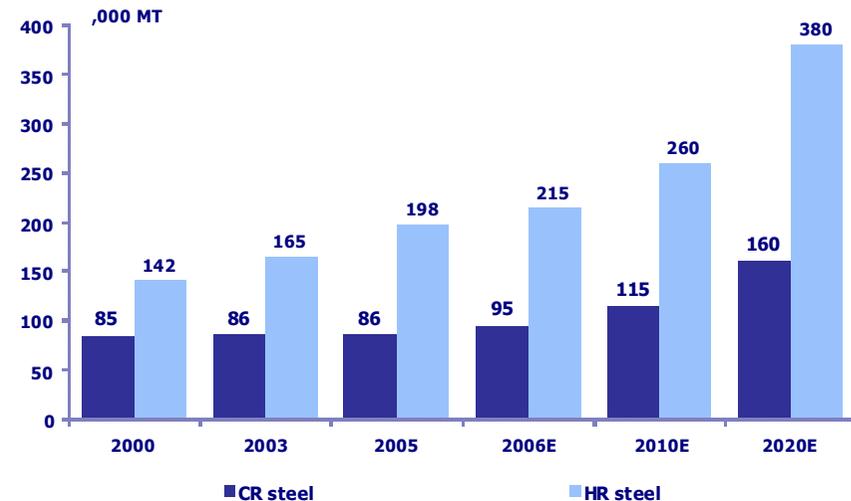


* Nominal period average coil base prices, fob parity point EU

GLOBAL EXCESS HR COIL CAPACITY¹



GLOBAL DEMAND FOR HR & CR STEEL** 1



** Finished rolled steel coil, sheet and strip.

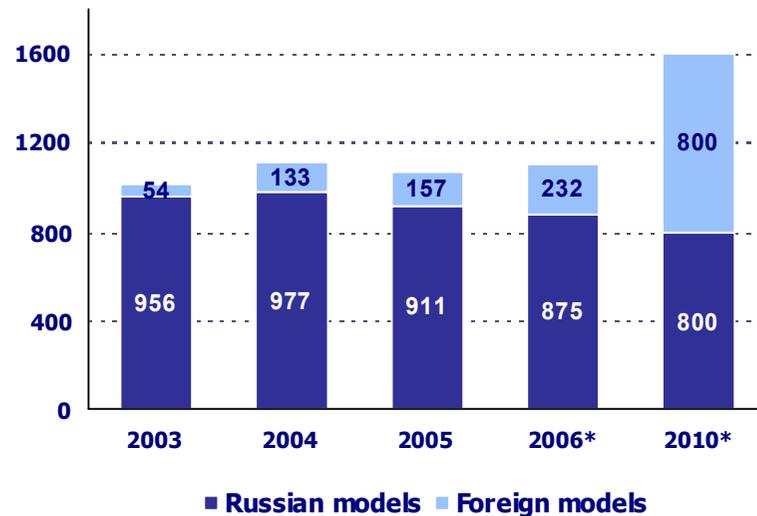


¹Company estimates

Favorable domestic trends

- **Continuing robust economic growth drives demand for steel products**
- **Strong industrial base, skilled labor and natural resources attract fixed assets investment increasing domestic steel consumption**
- **Strong demand for steel coming from both industrial (transportation, construction) and consumer sector (automotive, home appliances)**

**Production of cars in Russia
(in thousand pcs.)**

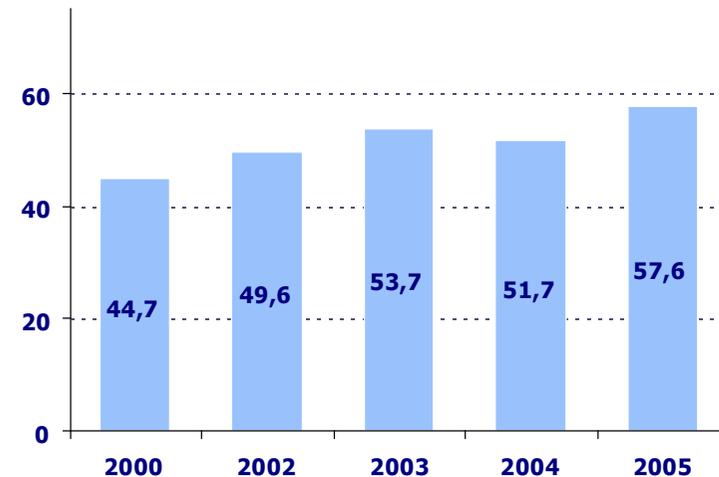


Source: analytical agency "ACM-holding";

*- NLMK estimates.

** - Ministry of Economic Development and Trade

Commissioning of residential and non-residential buildings (in million sq. m.)



Source: Rosstat Statistics Agency, "Residential Mortgage Credit Agency"



Appendices



Consolidated income statement

mIn USD

	1Q 2005	2 Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006
Sales revenue	1 271	1 106	1 011	1 081	1 123	1 479
Production cost	(542)	(486)	(520)	(570)	(605)	(685)
Depreciation and amortization	(74)	(66)	(70)	(73)	(74)	(85)
Gross profit	654	555	420	438	444	709
General and administrative expenses	(25)	(20)	(67)	4	(38)	(50)
Selling expenses	(14)	(18)	(16)	(15)	(16)	(101)
Taxes other than income tax	(5)	(20)	(11)	0	(10)	(11)
Operating income	610	497	326	427	380	546
Loss on disposals of property, plant and equipment	(1)	(6)	(0)	(5)	(1)	(1)
Gain / (loss) on investments	(5)	1	3	(0)	384	7
Interest income	21	25	26	26	29	29
Interest expense	(3)	(4)	(4)	(4)	(5)	(6)
Foreign currency exchange loss, net	(21)	9	(8)	11	(57)	(13)
Other income/(expense), net	2	3	(13)	(8)	(3)	(7)
Income before income tax and minority interest	603	526	330	447	727	555
Income tax	(164)	(118)	(113)	(101)	(177)	(150)
Income before minority interest	439	408	217	346	550	405
Income from associates and subsidiaries	-	3	1	0	0	0
Minority interest	(14)	2	(10)	(6)	(5)	(7)
Net income	426	413	207	340	546	398
EBITDA*	652	580	397	467	390	603

Note:

*EBITDA is calculated as the sum total of net profit, net interest expense, income tax, loss on disposal of fixed assets, depreciation and amortization and stock-based compensation (without gain/ (loss) on investments).



Consolidated balance sheet

	30.06.2005	30.09.2005	31.12.2005	31.03.2006	30.06.2006
ASSETS					
Current assets	3 208	3 263	3 436	3 865	3 287
Cash and cash equivalents	1 773	1 933	1 924	2 271	1 386
Short-term investments	18	19	27	23	21
Accounts receivable, net	697	625	709	764	966
Inventories, net	542	500	559	561	643
Other current assets, net	170	179	209	238	263
Restricted cash	8	8	8	8	9
Non-current assets	2 620	2 704	2 775	2 960	4 087
Long-term investments, net	58	47	31	34	7
Property, plant and equipment, net	2 275	2 375	2 415	2 586	3 341
Intangible assets	19	18	21	20	20
Goodwill	174	175	173	197	589
Other non-current assets, net	93	89	134	123	131
Total assets	5 828	5 967	6 211	6 825	7 374
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities	685	731	612	540	893
Accounts payable and other liabilities	664	704	571	511	834
Current income tax liability	21	26	41	29	58
Short-term capital lease liability	-	-	-	-	-
Non-current liabilities	329	357	392	423	508
Long-term capital lease liability	-	-	-	-	-
Deferred income tax liability	293	310	301	312	422
Other long-term liabilities	35	47	91	111	86
Total liabilities	1 013	1 087	1 003	962	1 401
Minority interest	81	86	93	113	126
Stockholders' equity	4 733	4 793	5 114	5 750	5 848
Common stock	221	221	221	221	221
Statutory reserve	10	10	10	10	10
Additional paid-in capital	1	32	2	2	2
Other comprehensive income	89	120	72	265	414
Retained earnings	4 412	4 410	4 809	5 251	5 200
Total liabilities and stockholders' equity	5 828	5 967	6 210	6 825	7 374



Consolidated cash flow statement

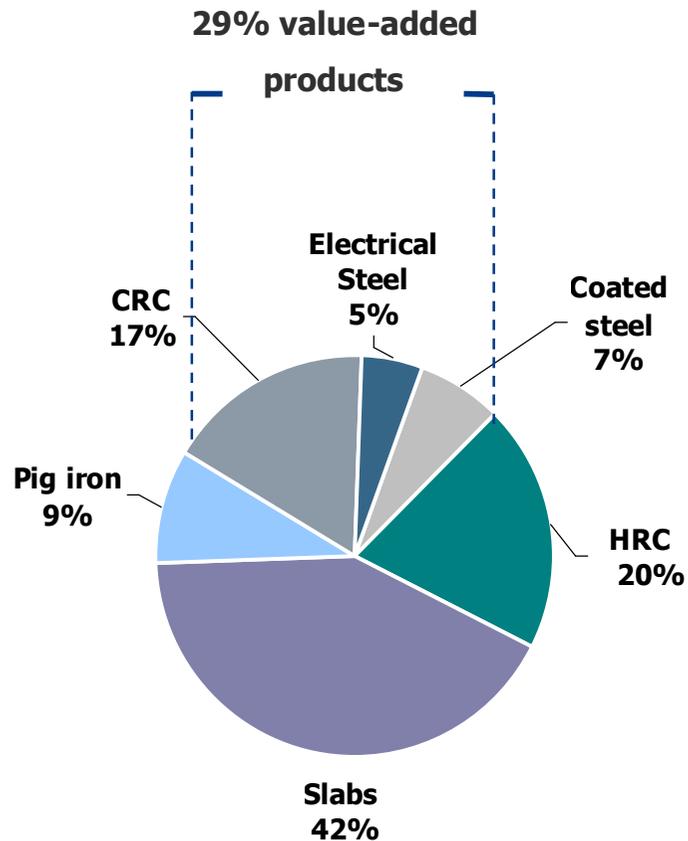
mIn USD

	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2 Q 2006
Cash flow from operating activities						
Net income	426	413	207	340	546	398
Adjustments to reconcile net income to net cash provided by operating activities						
Minority interest	14	(2)	10	6	5	7
Depreciation and amortization	74	66	70	73	74	85
Loss on disposals of property, plant and equipment	1	6	0	5	1	1
(Gain)/loss on investments	5	(1)	(3)	0	(384)	(7)
Equity in net earnings of associate	-	(3)	(1)	(0)	(0)	(0)
Defferd income tax (benefit)/expense	8	(10)	15	(13)	(7)	(0)
Stock-based compensation	-	-	31	(30)	-	-
Other movements	(20)	3	(5)	(0)	15	7
Changes in operating assets and liabilities						
Increase in accounts receivables	(232)	101	76	(42)	(25)	(113)
Increase in inventories	(14)	(70)	44	(6)	22	(27)
Decrease/(increase) in other current assets	(3)	2	(10)	(22)	4	(6)
Increase in loans provide by the subsidiary bank	4	(40)	(9)	(24)	(20)	(22)
Increase in accounts payable and oher liabilities	36	31	9	31	(60)	18
Increase/(decrease) in current income tax payable	(24)	(33)	8	15	(13)	27
Net cash provided from operating activities	275	463	444	332	159	369
Cash flow from investing activities						
Acquisitions of subsidiaries	-	-	-	-	(59)	(750)
Proceeds from sale of property, plant and equipment	2	6	1	2	3	0
Purchases and construction of property, plant and equipment	(100)	(166)	(155)	(152)	(91)	(149)
Proceeds from sale of investments	4	20	30	18	403	17
Purchase of investments	(3)	(18)	(10)	(12)	(28)	16
Movement of restricted cash	(2)	(1)	(0)	(0)	0	(1)
Net cash used in investing activities	(99)	(158)	(134)	(145)	227	(867)
Cash flow from financing activities						
Proceeds from borrowings and notes payable	6	2	9	3	8	0
Repayments of borrowings and notes payable	(2)	(1)	(4)	(1)	(15)	(78)
Payments to controlling shareholders for common control transfer of interests in a new subsidiary, net of cash of \$1,070 received in transferred subsidiary	-	-	-	-	(104)	-
Dividends to shareholders	(2)	(5)	(167)	(210)	(0)	(336)
Net cash provided by / (used in) financing activities	3	(4)	(162)	(208)	(111)	(414)
Net increase in cash and cash equivalents	179	301	148	(20)	275	(912)
Effect of exchange rate changes on cash and cash equivalents	(4)	(52)	12	(16)	72	26
Effect of Dansteel A/S consolidation				27		
Cash and cash equivalents at the beginning of the year	1 349	1 524	1 773	1 933	1 924	2 271
Cash and cash equivalents at the end of the year	1 524	1 773	1 933	1 924	2 271	1 386



Leading position in Russian and world market

Steel segment sales structure, H1 2006



Product	Rank	Share
Russian market	CRC	#1 34%
	Electrical steel	#1 70%
	Coated steel	
	- pre-painted	#1 32%
	- galvanized	#3 17%
HRC	#3 11%	
World market	Slabs	#1-2 ~13%
	Grain-oriented electrical steel	#2-3 ~20%

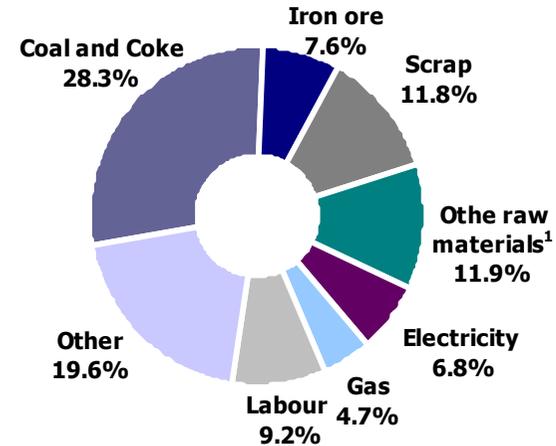


Leveraging sustainable low production cost base

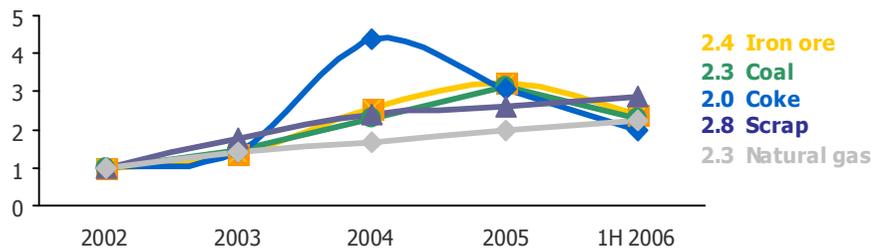
Efficient cost control

- One of the best cost positions in the industry
- Vertical integration greatly reduces raw material price risk
- Decreasing dependency on external energy supply

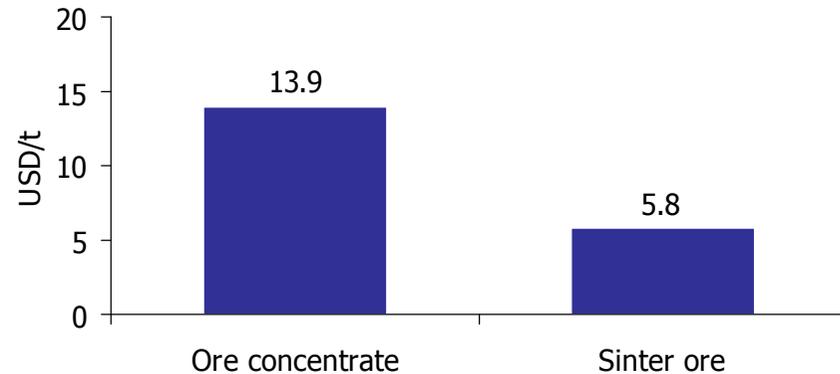
H1 2006 consolidated cash cost breakdown



Raw materials price trend

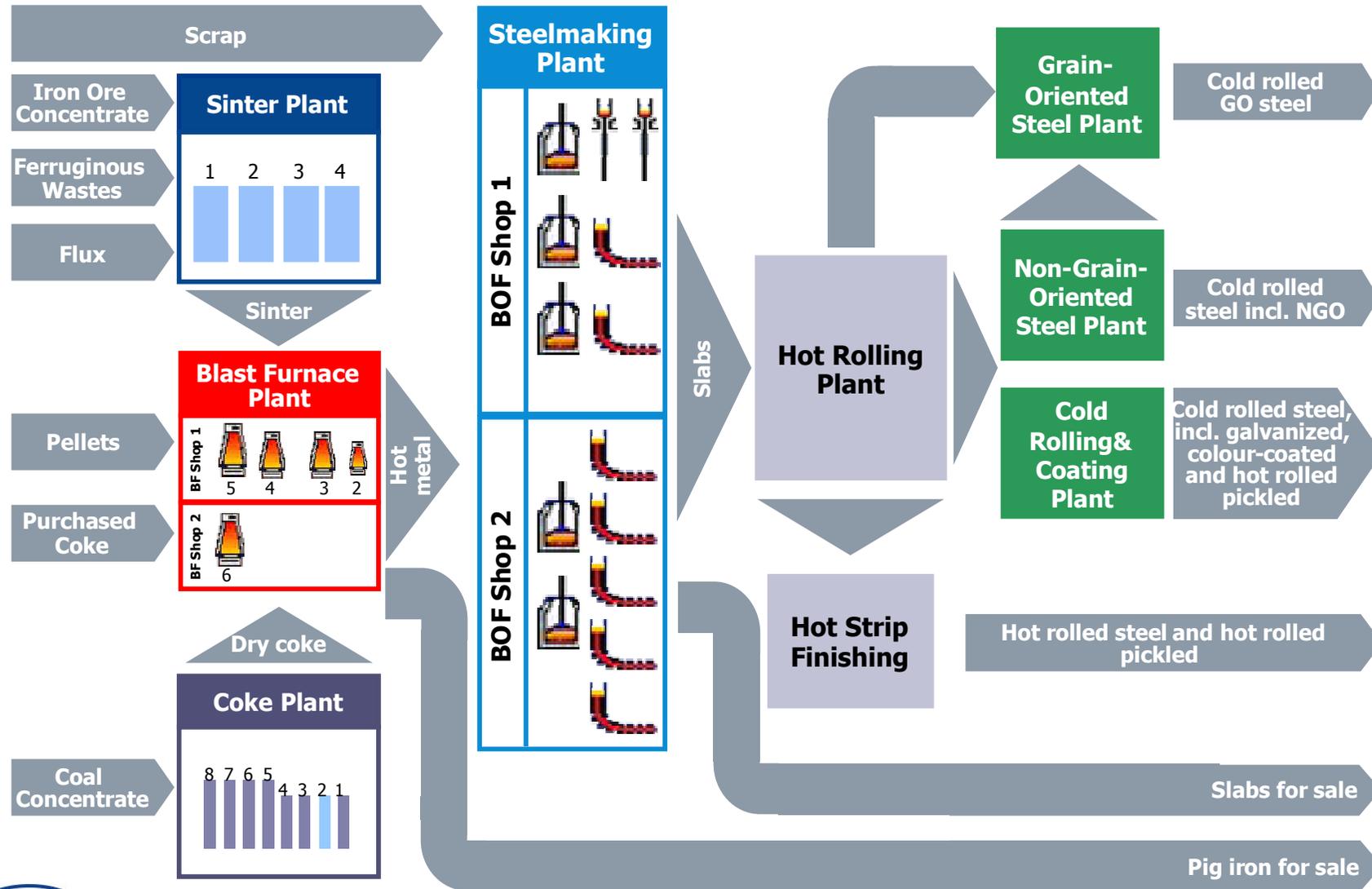


3Q 2006 Stoilensky GOK cash cost of production



Note:
1 Other raw materials include limestone, dolomite, flux, etc.

NLMK's production facilities flowchart





Novolipetsk Steel (NLMK)

