



Novolipetsk Steel (NLMK) – Dufenco Joint Venture

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 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

- **Transaction summary**
- NLMK-Duferco JV profile
- Transaction rationale and synergies
- NLMK-Duferco JV development strategy

Transaction summary

Novolipetsk Steel (NLMK) and Duferco Group (Duferco) have agreed to establish a Joint Venture (JV) to acquire certain steel production facilities currently owned by Duferco in Western Europe and the USA.

- **NLMK acquires 50% interest in the JV for approx. USD 805 mln**
 - ▶ Source of financing: NLMK's existing cash funds
- **Duferco controls remaining 50% in the JV**
- **JV includes 1 steel plant and 5 rolling mills with total finished steel output in 2006 of 4.5 mln tonnes and a network of service centers**
- **Transaction is expected to be completed by the end of 2006**
- **Estimated synergy effect – approx. USD 330 mln**



Companies included in the JV

The main companies to be acquired by the JV include:

INDUSTRIAL GROUP

EQUITY

- | | |
|--------------------------------------|-------|
| ▶ Duferco Clabecq S.A. (Belgium) | 99.7% |
| ▶ Duferco La Louvière S.A. (Belgium) | 87.9% |
| ▶ Duferco Coating S.A.S. (France) | 90.6% |
| ▶ Acciaierie Grigoli S.p.a. (Italy) | 75% |
| ▶ Carsid S.A. (Belgium) | 100% |
| ▶ Duferco Farrell Corp. (USA) | 100% |

DISTRIBUTION GROUP

- | | |
|---|-------|
| ▶ SAFEF Thionville S.A.S. (France) | 100% |
| ▶ SAFEF Belgique S.A. (Belgium) | 100% |
| ▶ Duferco France S.A. (France) | 100% |
| ▶ New Steel S.N.C. (France) | 100% |
| ▶ Duferco Profil Batiment S.N.C. (France) | 100% |
| ▶ Duferco Aciers S.A. (France) | 99.9% |
| ▶ Jemappes Steel Center S.A. (Belgium) | 100% |
| ▶ Manage Steel Center S.A. (Belgium) | 50.1% |
| ▶ Rosso Steel AS (Czech Republic) | 50.0% |



Agenda

- Transaction summary
- **NLMK-Duferco JV profile**
- Transaction rationale and synergies
- NLMK-Duferco JV development strategy

Joint Venture production facilities profile (1)

● **Duferco La Louvière S.A. (rolling mill)**

- ▶ Flat products producer controlled by Duferco since 1999
- ▶ Production capacity
 - Hot rolled coils: 2.0 mln TPY
 - Cold rolled coils: 1.6 mln TPY
 - Wire rod: 0.36 mln TPY
- ▶ Finished steel production in FY2006*: 2.1 mln tonnes
- ▶ Employees: 1508
- ▶ Location: La Louvière, Belgium



● **Carsid S.A. (steel mill)**

- ▶ Semi-finished steel producer located in Belgium controlled by Duferco since 2004
- ▶ Production capacity
 - Slabs: 2.1 mln TPY
- ▶ Slab production in FY2006*: 1.85 mln tonnes
- ▶ Employees: 1250
- ▶ Location: Marcinelle, Belgium



*For financial year, ended 30 September, 2006

Joint Venture production facilities profile (2)

● **Duferco Clabecq S.A. (plate mill)**

- ▶ Thick plates producer controlled by Duferco since 1997
- ▶ Rolling capacity: 0.8 mln TPY
- ▶ Plate production in FY2006*: 0.6 mln tonnes
- ▶ Employees: 542
- ▶ Location: Ittre, Belgium



● **Duferco Coating S.A.S. (cold rolling mills)**

- ▶ Coated steel producer controlled by Duferco since 2003 comprising two production units – Sorral and Beautor
- ▶ Employees: 520
- ▶ Location: Strasbourg and Beautor, France
- ▶ **Duferco Coating Sorral**
 - Rolling capacity
 - Hot dip galvanized steel: 0.32 mln TPY
 - Pre-painted steel: 0.12 mln TPY
 - Finished steel production in FY2006*: 0.27 mln tonnes
- ▶ **Duferco Coating Beautor**
 - Rolling capacity
 - Cold-rolled steel: 0.35 mln TPY
 - Electrogalvanized steel: 0.33 mln TPY
 - Finished steel production in FY2006*: 0.24 mln tonnes



Joint Venture production facilities profile (3)

● Duferco Farrell Corp. (rolling mill)

- ▶ Flat products producer controlled by Duferco since 1999
- ▶ Rolling capacity:
 - ✦ Hot-rolled coils: 1.8 mln TPY
 - ✦ Cold rolled coils: 0.8 mln TPY
- ▶ Finished steel production FY2006*: 1.6 mln tonnes
- ▶ Employees: 568
- ▶ Location: Farrell, PA, USA



● Acciaierie Grigoli S.p.a. (heavy plate mill)

- ▶ Heavy plates and forging ingots producer controlled by Duferco since 2005
- ▶ Production capacity:
 - ✦ Heavy plates: 0.6 mln TPY
- ▶ Finished steel production in FY2006*: 0.15 mln tonnes
- ▶ Employees: 135
- ▶ Location: Verona, Italy



Joint Venture distribution facilities

● Duferco Transformation Europe S.A. (DTE)

- ▶ Duferco Transformation Europe is wholly owned JV subsidiary comprising a network of service centers in the EU
- ▶ DTE consists of 9 companies located in Belgium, France and Czech Republic engaged in the distribution of products manufactured by JV companies and third parties
- ▶ Main equipment: slitting, cutting to length, blanking, profiling, laser cutting, pressing, folding lines
- ▶ Total product flow in FY2006*: approx. 1.0 mln tonnes (85% - group products, 15% - external products)
- ▶ Employees: 473



Agenda

- Transaction summary
- NLMK-Duferco JV profile
- **Transaction rationale and synergies**
- NLMK-Duferco JV development strategy

Transaction rationale

- **Production profiles make NLMK and Duferco natural partners**
 - ▶ NLMK has excess upstream (liquid steel) capacity
 - ▶ Duferco lacks upstream capacity and has excess rolling capacity
- **Strategies of NLMK and Duferco are complementary**
 - ▶ NLMK aims to expand its upstream platform increasing production of low cost high quality slabs and to re-roll them in its core markets, including Europe and USA
 - ▶ Duferco aims to expand its rolling capacity increasing production of high value-added steel grades
- **NLMK and Duferco already enjoy substantial trade volumes**
 - ▶ During the last 10 years total trade turnover between NLMK and Duferco exceeded USD 1.5 bln in direct supplies (3.5 mln tonnes) and trading (2.8 mln tonnes)
 - ▶ In the first 10 months of 2006 NLMK sales to Duferco reached USD 165 mln (supplies of 0.5 mln. tonnes of slabs).



JV companies – slab/rolling balance

Thousand tonnes, FY2006*

JV FINISHED STEEL PRODUCTION

| | |
|-----------------------------|-------|
| DUFERCO LA LOUVIERE+COATING | 2 395 |
|-----------------------------|-------|

| | |
|-----------------|-----|
| DUFERCO CLABECO | 600 |
|-----------------|-----|

| | |
|-----------------|-------|
| DUFERCO FARRELL | 1 430 |
|-----------------|-------|

| | |
|--------------------|-----|
| ACCIAIERIE GRIGOLI | 145 |
|--------------------|-----|

| | |
|---|--------------|
| TOTAL JV FINISHED STEEL PRODUCTION | 4 560 |
|---|--------------|

| | |
|---------------------|-------|
| incl. FLAT PRODUCTS | 3 980 |
|---------------------|-------|

| | |
|--|--------------|
| TOTAL JV SLAB CONSUMPTION (incl. yield) | 4 420 |
|--|--------------|

INTERNAL SLAB PRODUCTION

| | |
|--------|-------|
| CARSID | 1 800 |
|--------|-------|

| | |
|---------------------|-----|
| DUFERCO LA LOUVIERE | 250 |
|---------------------|-----|

| | |
|--------------------|----|
| ACCIAIERIE GRIGOLI | 50 |
|--------------------|----|

| | |
|-------------------------------------|--------------|
| TOTAL JV SLAB PRODUCTION | 2 100 |
|-------------------------------------|--------------|

| | |
|------------------------|--------------|
| PURCHASED SLABS | 2 320 |
|------------------------|--------------|

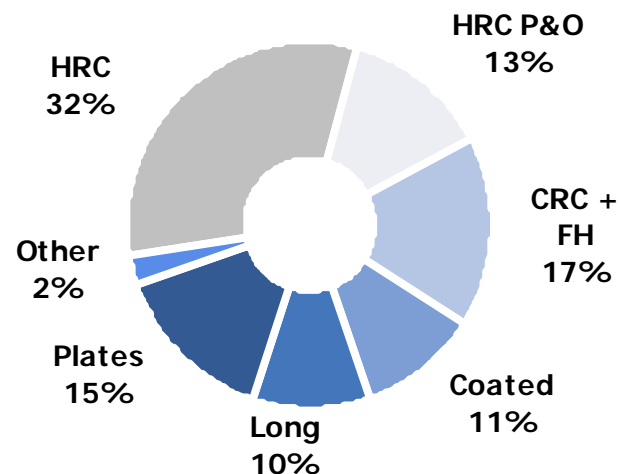


*For financial year, ended 30 September, 2006

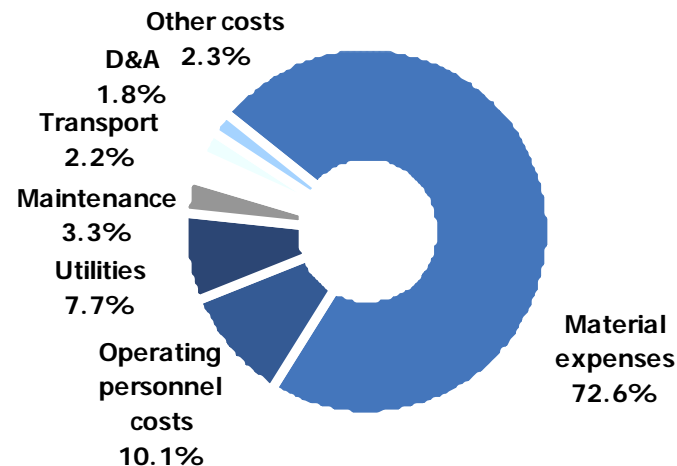
Joint Venture configuration advantages

- Well-diversified product portfolio with strong emphasis on value added flat products
- Over 70% of JV costs are material expenses with slabs purchasing costs being the main driver
- Currently JV meets nearly 48% of its slab requirements internally, the rest is purchased from third parties
- NLMK will meet increasing JV requirements in slabs to support current production and planned growth in flat steel output

JV product mix 2006 (mln tonnes)



JV cost structure 9m 2006



Joint Venture supply flow

- Duferco JV is in line with NLMK's stated 'Sustainable Growth Strategy 2007-2011'



● Trading, Distribution and Service Centre



Preliminary synergies analysis

Duferco JV synergy effect is estimated at USD 55 mln per year starting 2010. Total cumulative synergy effect is estimated at USD 330 mln

Industrial configuration
(incl. slab synergies)

\$262 mln

- ▶ NLMK plans to increase slabs supply to the JV rolling facilities from 1.2 mln tonnes in 2007 to 3.6 mln tonnes in 2012
- ▶ This will support output growth and guarantee balanced utilization of JV production facilities

Plate market synergies

\$51 mln

- ▶ Optimization of product mix and logistics between DanSteel, Duferco Clabecq and Acciaierie Grigoli
- ▶ Commercial synergies due to market share increase

Commercial and marketing synergies

\$17 mln

- ▶ Expanding customer reach and market penetration through utilizing JV service centers network and distribution capabilities in Europe and the US
- ▶ Achieving proximity to customers in the largest and most stable export markets

Diversification

- ▶ Decreasing earnings sensitivity to steel prices fluctuations due to regional and product diversification
- ▶ Strengthening market share in value added flat products

R&D synergies

- ▶ Cost savings resulting from optimization of R&D and new product development efforts (mainly in flat products and plates)



Agenda

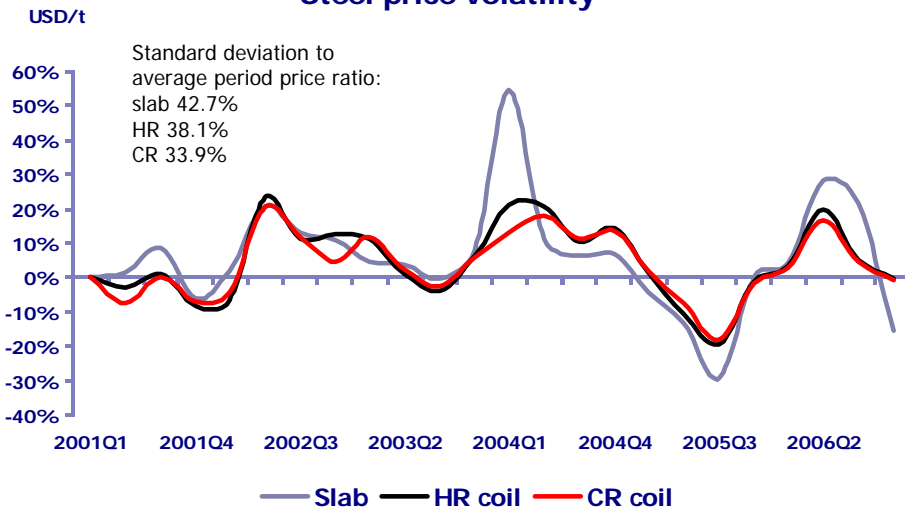
- Transaction summary
- NLMK-Duferco JV profile
- Transaction rationale
- **NLMK-Duferco JV development strategy**

Semi-finished product strategy

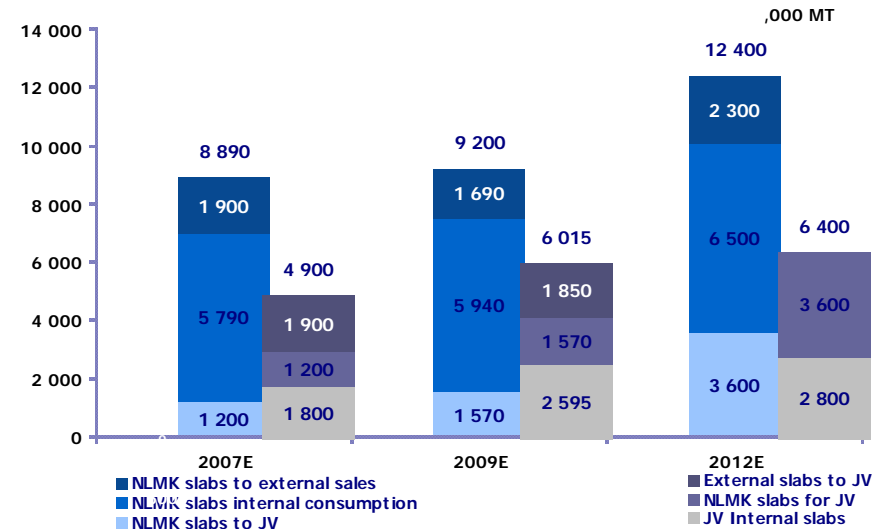
- Volatility of finished steel sales is lower than that of slabs on a long-term basis
- Global slab supply is expected to grow faster than finished product

- The 2nd phase of the NLMK Technical Upgrading Program is focused on increasing production of slabs for JV purposes
- NLMK slab supply to JV companies will grow to 3.6 mln TPY by 2012

Steel price volatility *



NLMK-JV COOPERATION



* Slab – CIS export, FOB Baltic/Black Sea port, coils – nominal period average base prices, fob parity point EU.
 Source: CRU, MB

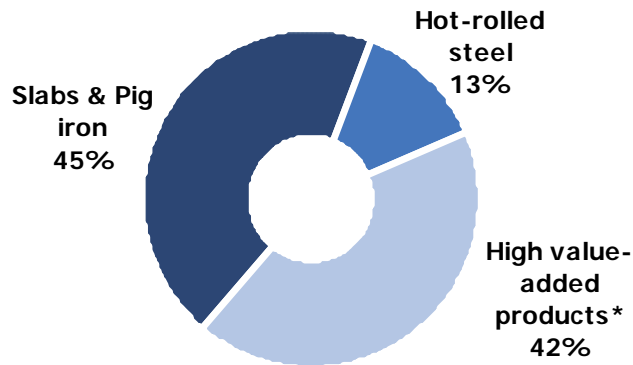
High value-added product strategy

- Obtaining access to high quality rolling production facilities in core markets
- Development of high value-added product portfolio that results in the reduction of earnings sensitivity to steel cycle

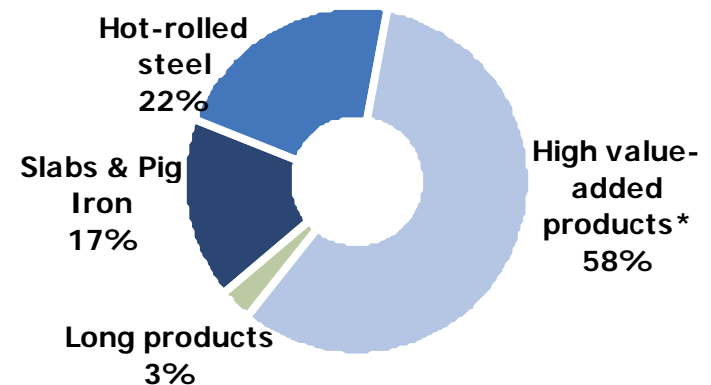
Per cent share of high value-added steel*, %

| | |
|--|----|
| Posco | 60 |
| ThyssenKrupp Steel | 86 |
| Novolipetsk Steel 2006 | 42 |
| Novolipetsk Steel ² + JV 2006 | 51 |
| Novolipetsk Steel + JV 2012 after investment program | 58 |

NLMK sales structure before creating JV 2006



NLMK+JV sales structure in 2012 after investment program



Note:

* includes cold-rolled, hot-dip galvanized steel, pre-painted steel and electrical steel, plates, P&O, accord. to companies estimates





Novolipetsk Steel (NLMK)

