



Novolipetsk Steel

Maxi-Group Acquisition

December 2007

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Transaction Details

NLMK has acquired a majority stake in Maxi-Group, a major Russian long products producer, scrap collector and processor, from Nikolai Maksimov, the founder of the company

Transaction milestones:

- **December 2007 – January 2008**
 - NLMK acquires a 50%+1 share stake in Maxi-Group for approximately USD 600 million.
 - Shareholders extend short term stabilization loans to Maxi-Group in amount of up to USD 1 billion.
- **First Half of 2008**
 - Maxi-Group carries out a capital increase of USD 1.2 billion (subject to price adjustment based on financial due diligence) doubling its charter capital.
 - NLMK and Mr. Maksimov subscribe to the new share issue pro rata to their shareholdings.
 - Substantial part of capital increase proceeds will be applied towards repayment of shareholders stabilization loans.

Maxi-Group will be consolidated in NLMK's financials from December 2007.

Transaction Rationale

1. Enter new markets and new product niches
 - Long products
 - Seamless pipes
 - Metal-ware
2. Diversify and increase sales to the Russian market by gaining exposure to:
 - New regional markets
 - New products
 - Alternative production model (scrap/EAF)
3. Increase steel-making capacity through network of mini-mills
 - 2.0 million tonnes in 2007
 - 3.9 million tonnes by 2010
 - over 6 million tonnes by 2012
4. Reach 100% scrap self-sufficiency

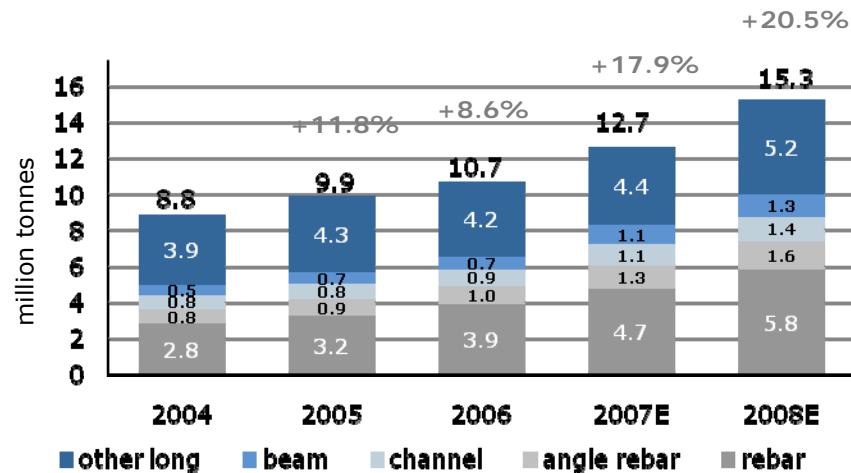
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Domestic Market Situation: long products

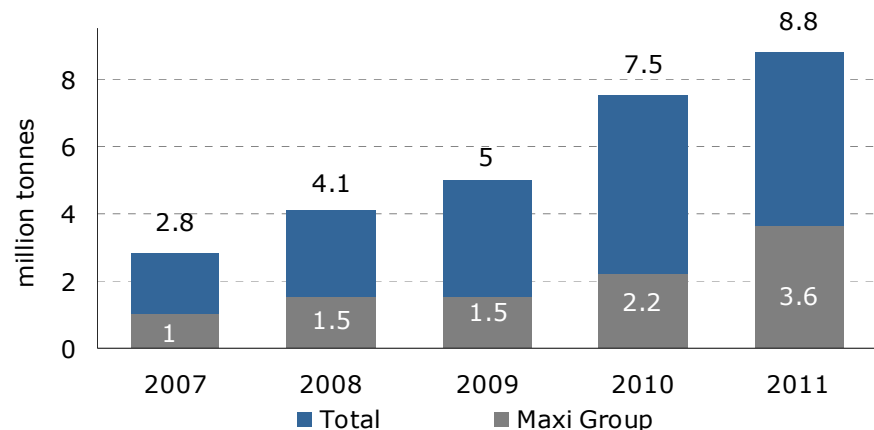
- Domestic consumption of long products is expected to grow by c.10% annually through 2015 supporting favorable pricing environment.
- Construction sector, the main consumer of long products, expands at above-GDP rate fuelled by:
 - investments in infrastructure
 - national projects, including 'affordable housing'
 - disposable income growth
 - domestic mortgage markets pick-up
- The Central and Ural regions are the major consuming regions of long products in Russia. The Southern region also exhibits marked growth of long product consumption.
- Major long product producers currently are close to or at full capacity. Capacity additions are not expected to be launched before 2011.
- Rising demand for long products is met by growing imports. Long product imports increased by 53% from 1.3 mln tonnes in 2005 to c.2 mln tonnes in 2007

Long product consumption in Russia



Source: Rusmet

Domestic rebar sales by Russian mills

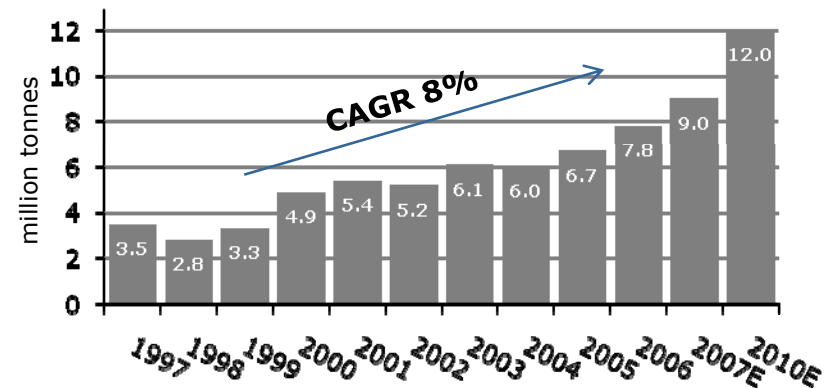


Source: Company estimates. Export is a constant number based on 2006 volumes

Domestic Market Situation: seamless pipes

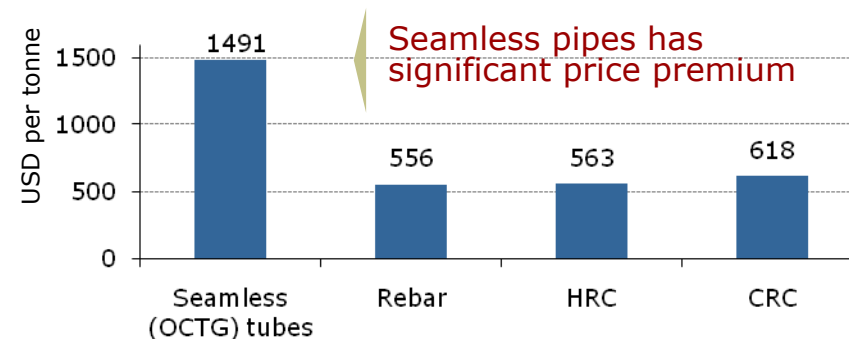
- Seamless pipe types depending on end-use:
 - OCTG pipes: main consumers are oil, gas and service companies
 - Standard pipes: main consumers are machine building and construction industries
- The consumption of seamless pipes in Russia is expected to grow by 5-6% annually through 2010.
- Capacity utilization of most domestic producers is close to 90%.
- The Ural region and Western Siberia are the major seamless pipes consuming regions.
- Seamless pipes are high value-added product in the steel pipe segment.

Russian pipe market



Source: Metal Expert. CHTPZ Group

Steel product prices

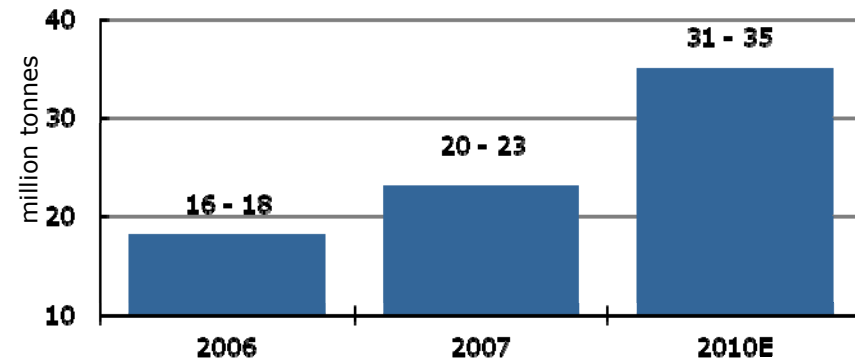


Source: TMK (Reference: Spears & Associates, Pipe Logix, Steel Business Briefing)

Domestic Market Situation: scrap

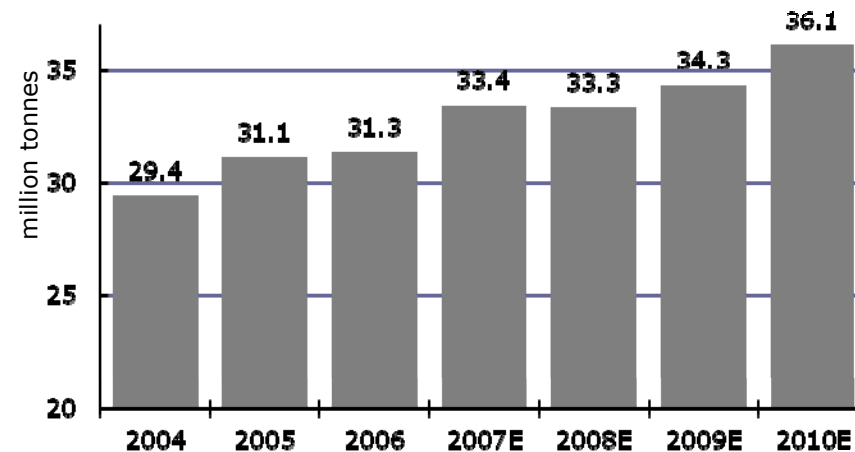
- At present, about 30 million tonnes of steel scrap is collected annually in Russia (10 mln tonnes are exported).
- Scrap consumption in Russia is expected to grow by c.11% annually through 2015.
- Scrap collection in Russia may increase with the introduction of new technologies that permit usage of sources that are currently hard to access.
- The consolidation and technical modernization of scrap collection in Russia result in the increasing sector efficiency.
- Highly fragmented scrap market creates an opportunity of consolidating up to 30-40% market share.
- Scrap collection areas with the highest potential are the Central and Ural regions and Western Siberia.

Scrap consumption in Russia



Source: Company estimates.

Scrap collection in Russia



Source: Company estimates.

Transaction Benefits

- Summary of the domestic market trends
 - Growing demand for long products in Russia outstrips production capacity. New capacity is not expected to catch up with demand in the near term
 - The seamless pipe market faces fast demand growth and sustainable pricing environment. The key driver of this growth is the expansion in oil and gas production and import replacement in machine building and other industries
 - Scrap market can be consolidated in the foreseeable future, thus benefiting companies integrated into scrap collecting and processing
- Maxi-Group acquisition will allow NLMK:
 - To become a leading player in domestic market through increasing and diversifying sales in Russia
 - To enter new markets and product niches
 - To fully cover the company's scrap needs
 - To diversify production capabilities based on regionalized EAF production

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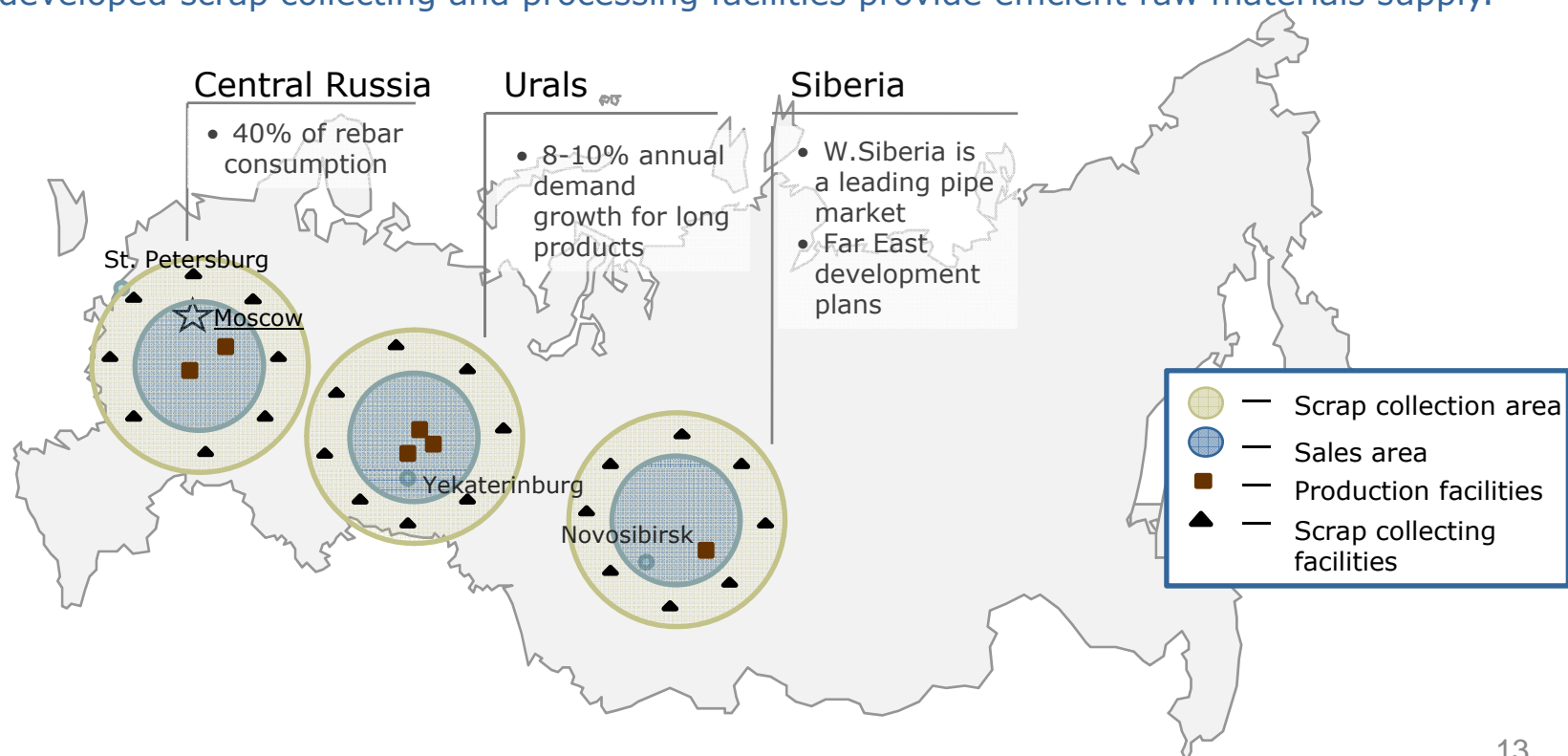
Maxi-Group's Domestic Market Strategy

- Establish a network of mini-mills 'at customers' doorstep' in the regions with high consumption growth potential.
- Develop highly demanded product range while retaining flexible market position.
- Achieve competitive cost structure based on:
 - Close proximity to customers and scrap sources thus obtaining significant cost advantage in transport and logistics *vis-à-vis* established integrated producers
 - Technology leadership (all facilities commissioned within the last 3 years)
 - Lean overhead
- Achieve 100% self-sufficiency in scrap, securing perpetual raw material supply
- Utilize first mover advantage.

Maxi-Group Business Model

Dynamic regionalized production and distribution model

- Maxi-Group's targets supply of simple product mix to regional consumers using cost advantages in local scrap sourcing, local mini-mill production and local distribution.
- Maxi-Group wins customers when proximity to demand and quick turnaround times are important.
- Maxi-Group targets regions with demand/supply imbalances to develop new production facilities.
- Well-developed scrap collecting and processing facilities provide efficient raw materials supply.

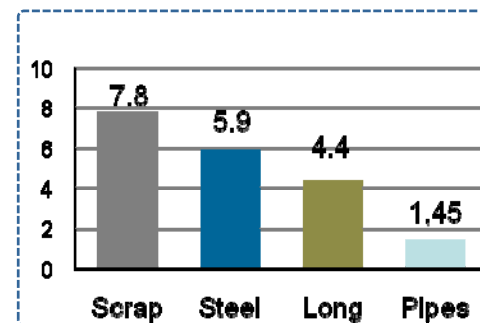
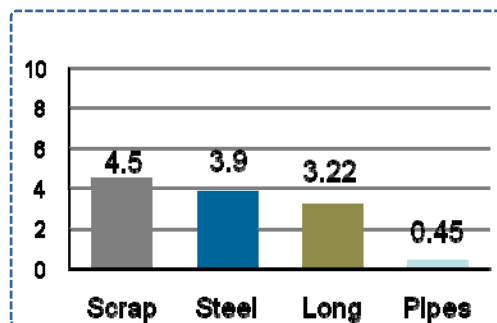
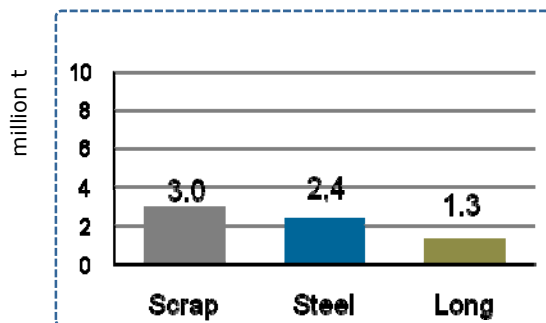


Maxi Group Structure and Development Plans

Pursuing capacity growth and value enhancing opportunities

	Existing facilities (capacity as at 30.09.2007)	New facilities 2008-2010 Capex: USD 3.3 bn	New facilities 2011-2012 Capex: USD 0.5 bn
Urals	Billets: 2.4 mln t Re-bar: 1.32 mln t Metal-ware: 0.55 mln t Urals Scrap Division* 300 scrap yards: 3 mln t scrap	Billets: +1.5 mln t Seamless pipes: 0.45 mln t Wire rods: 1.0 mln t (H1 2008)	Channels: 0.5 mln t Seamless pipes: +1.0 mln t
Central Russia		Long products: 0.9 mln t Center Scrap Division*	Billets: +2.0 mln t Long products: +0.8 mln t Flat products: +1.9 mln t (TBC)
Siberia			Siberia Scrap Division* Seamless pipes: 1.0 mln t (TBC)

*By 2011 combined capacity of all scrap yards to reach 7.8 million tonnes



Note: Volumes does not include to-be-confirmed (TBC) projects.

Assets Development Plan

Growth in the most dynamic geographic and market segments

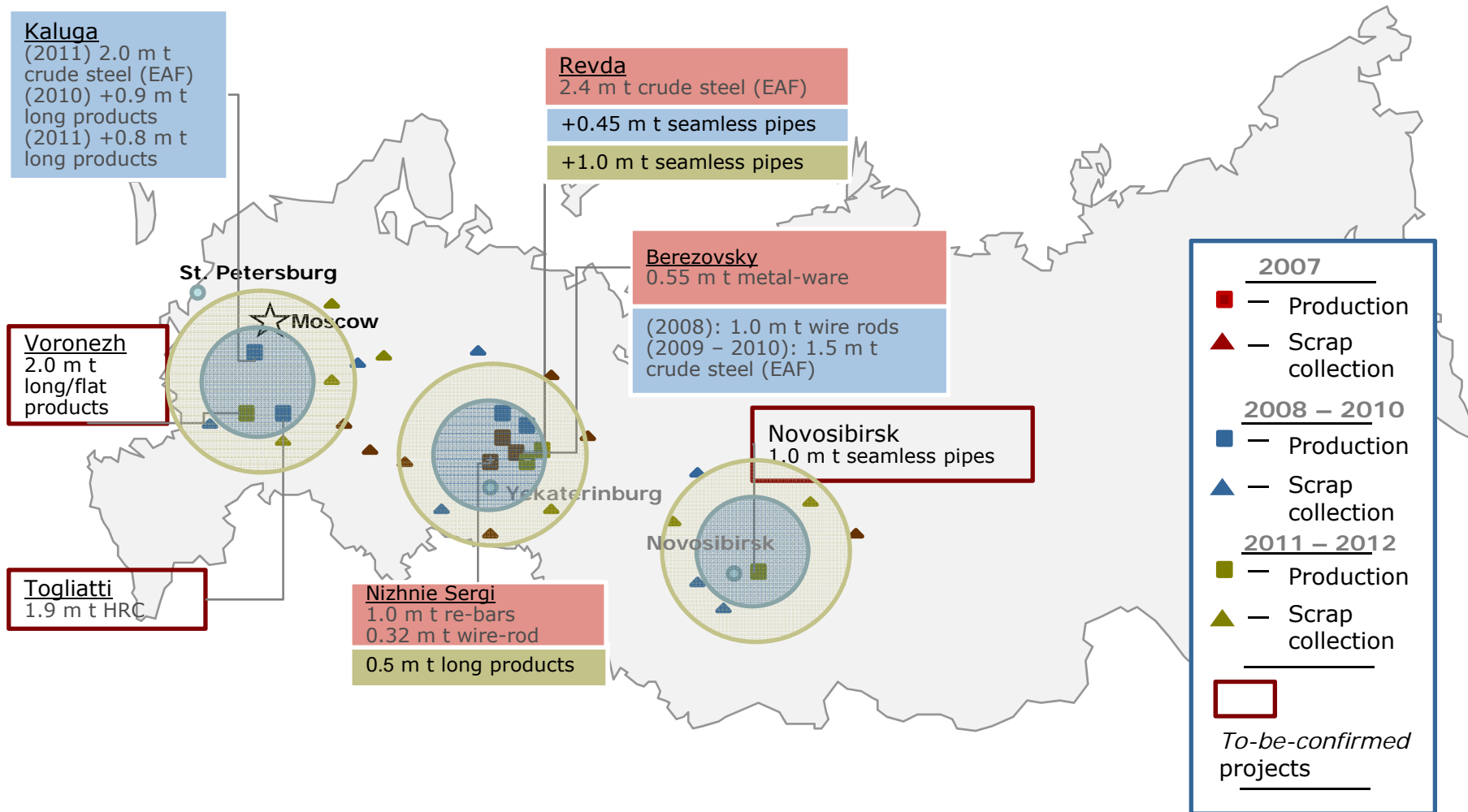
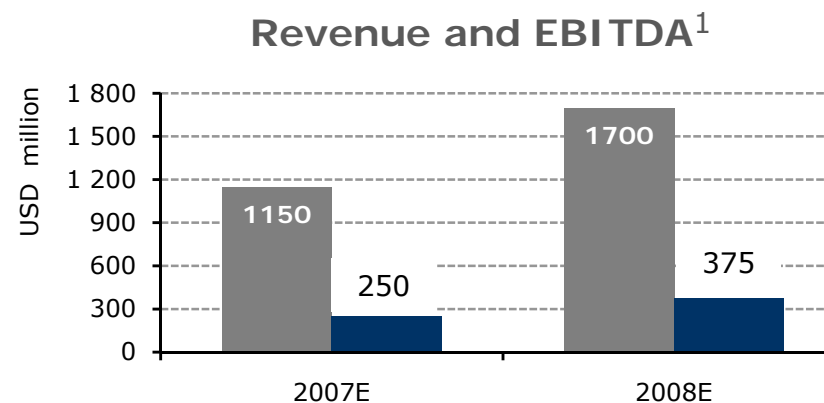


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Financial Highlights

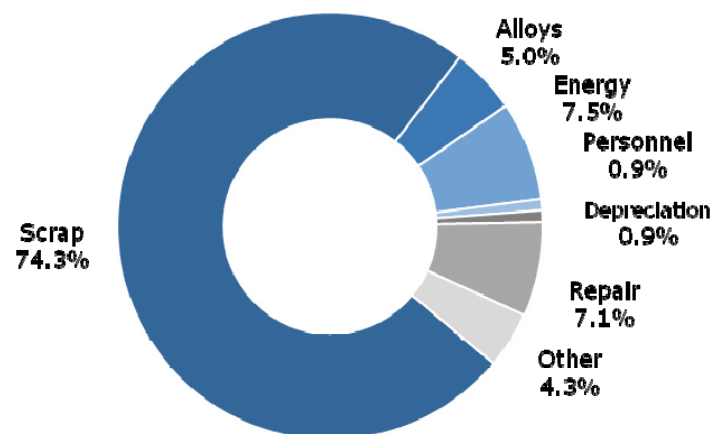
- 2007E highlights¹
 - Revenue **USD 1150 million**
 - EBITDA **USD 250 million**
 - EBITDA margin **22%**
 - External debt **USD 1.8 billion** as at 20.11.2007



- Production costs are 75% scrap
 - 100% of scrap supplied internally
 - New technology and equipment lowers costs
 - Low transportation costs due to local scrap collection and customers

- Production costs, 9M 2007
 - Billets USD 356 per tonne
 - Rebar USD 406 per tonne
 - Wire rod USD 416 per tonne

Billets cost structure 9M 2007



1. Management estimate based on RAS

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