PRESENTATION OF THE FINANCIAL AND OPERATING RESULTS FOR Q3 2010

TRANSCRIPT[1]

NLMK

Monday, December 20, 2010

13:30 Hrs UK time

Participants:

Galina Aglyamova, CFO

Sergey Takhiev, Head of Investor Relations

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Ladies and Gentlemen. Welcome to today>s presentation of our 9 months financial results.

Before starting, I would like to point you to the disclaimer and remind you of its importance in relation to today>s presentation. I will start by giving you a brief overview of results. I>ll then hand over to Ms Galina Aglyamova to answer your questions. We will also discuss the key capex projects and how we are progressing with the implementation of the Technical Upgrade Program.

Page 3 (KEY HIGHLIGHTS)

During the 3rd quarter we witnessed quite volatile market export markets and an improvement in domestic market sentiment underpinned by the recovery in the key steel consuming sectors. We will touch on the market conditions later but will now briefly discuss our financial and operating performance for the quarter.

In Q3, we delivered another set of strong results in the face of significant challenges; this resilient financial performance provides clear evidence of the strength of the business and its ability to react quickly to the volatile market environment.

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[1] This text represents only a part of the transcript of the presentation.

- The Q3 results largely met our expectations and the guidance provided. We delivered a 3% growth in sales revenue on the back of higher sales volumes, improved product mix and a focus on the domestic market. Consolidated sales revenue totaled USD2.2 billion.

- Ongoing cost management and increased sales of high value added products resulted in industry leading profitability with EBITDA of USD695 million, and an EBITDA margin of 31%.

- Net income grew to USD516 million.

- During the quarter net debt increased by 21% to USD1.1 billion mostly due to the use of debt to finance our capex program during the quarter.

- NLMK maintained its status as one of the lowest cost steelmakers in the world.
  The cash cost of 1 tonne of slab totaled USD330.

In Q4 we expect similar operating performance dynamics. Production and sales will total around 3 million tonnes. The main factors that may impact the Company>s financial performance in the next quarter include; a seasonal decline in the demand from the construction market followed by increased share of exports and a less rich product mix. Additional factors affecting our profitability in Q4 will be upward pressure from raw materials prices as well as seasonal repair works. In Q4 we do not envisage any decrease in the top line, however our EBITDA margin may be in the range of 20-25%.

Page 4 (Q3 2010 PRODUCTION)

Now, let me turn to our operating performance.

In Q3, NLMK delivered record production results; our total steel output increased by 3% and totaled 3 million tonnes. This achievement, produced across the range of our business, is the result of a focus on operating our assets to the maximum of their potential. Our production records were also driven by the results of our Long Product Division, which was able to successfully react to the recovery in the domestic long product market delivering a double digit growth in both sales volumes and revenues.

During the quarter, the Group>s assets were almost fully utilized:

- Steelmaking capacities at the Lipetsk site were running at 100% rate

- The Long Product Division utilization rate was almost 90%

- And NLMK Indiana>s steelmaking capacities were working at 76%.

In Q4 our production results are expected to be comparable to the results of the third quarter. Our full year result should achieve a new record 11.5 million tonnes, which would be an increase of 8% compared to 2009.

Page 5 (SALES AND REVENUE IN Q3 2010)

In the third quarter the market environment continued to be volatile. Our low cost position and diversified product mix helped us to focus on meeting recovering demand from domestic customers. Almost 80% of our domestic sales were dedicated to the construction and infrastructure sectors in Russia. In Q3, we sold about around 35% of steel production in Russia which brought us nearly 40% of sales revenue.

- Given the seasonal slowdown in demand in Europe and Middle East we redirected our sales to S.E.Asia and US which accounted for 7% and 17% of our exportsrespectively
- And revenue from deliveries to these regions amounted to 13% and 7% respectively

About 30% of the Group›s revenue came from high value added product sales.

Page 6 (KEY FACTORS)

So what were the key drivers for our financial performance during the quarter?

- Certainly the key reason was an uptick in demand from local customers (Overall sales to the local market were 19% higher quarter-on-quarter) resulting in a higher portion of sales of value added products
- In addition, there was marginal growth in average steel prices despite overall softening in the global steel market. Besides a better product mix and growth in domestic sales, this is explained by a delay in sales price recognition according to the production and sales cycle of 45 to 60 days for export operations.

Page 7 (PRODUCTION COSTS)

We maintain our focus on cost reduction and improving operating efficiency. Despite pressure from raw material prices the company›s slab cash cost remained one of the lowest in the industry increasing by about just TWO percent to $330 per tonne.

Total production costs grew by 8% outpacing revenue growth mainly due to increases in raw material prices namely coking coal and scrap as well as depletion of the lower priced stock formed during previous periods.

In Q4 the trends in production costs will persist however our continuous cost management efforts will partially offset the pressure from higher raw materials prices. So, basically, we don›t expect any important changes in slab cash costs in the last quarter of 2010.

Our estimated average cash cost of slabs in 2010 will be about $320/t, one of the lowest in the global steel industry.

Page 8 (DEBT POSITION)

NLMK has one of the lowest debt levels in the industry. At the end of Q3, the company›s gross debt was USD2.65 billion, with long-term debt accounting for around 71%, an increase of 6 p.p.

Short term debt payments are evenly spread over the next 12 months and are mainly represented by quarterly payments for a syndicated loan obtained in 2008.

The Group has a strong financial position with cash balances including short-term investments of USD1.42 billion. The Company›s net debt is around USD1.1 billion, Net debt to Last 12 months EBITDA was 0.48, and gross debt to EBITDA – around 1.

Page 9 (INVESTMENTS)

On this slide you see that Capex for 2010 is about USD1.6 billion.

We are on track with our key projects to grow production capacity by 40%. This will deliver an improvement in finished steel capacities mostly in Russia.

In the middle of next year, we are planning to launch a major project – a new blast Furnace at the Lipetsk site, a brownfield project that will boost our capacity by 3.4 million tonnes. Together with the BF, we are launching upgraded converter shops and a new converter that will increase both steelmaking capacity and add 30 new grades of steel. For example, we are planning to launch a 2 million tonnes continuous casting machine in mid-2011 that will be able produce thick slabs of 355mm (that may be used in the production of thick plates).

In finished products, we have a number of ambitious plans directed to increase both capacity and quality of the output. For example, we are very close to launching a CRC mill with 350,000 and pre-painted line with 200,000 t, representing 12% and 55% growth respectively.

In the long steel segment we are virtually doubling our capacity as we are planning to launch a second line at Berezovsky with a total capacity of 1 million tonnes. Currently this facility is operating at 50% utilization rate on a start-up mode. When this facility is launched, our long capacities will be able to fully process all our billets. The Kaluga mini-mill, a greenfield project with 1.5 m tpa of high value added long steel capacity, is well underway, and we plan for this to be operational in 2012.

We are placing a special focus on the development of our raw material base and maintaining our self-sufficiency in iron ore and scrap. We have launched a feasibility study for the Zhernovskoe deposit located in Siberia, close to our coke operations, with an estimated capacity of 3 million tonnes of coking coal concentrate. The results of this study will be available next year, and, if we decide to proceed, it will be able to cover at least 30% of our coking coal requirements. We are also progressing with the expansion of our iron ore mine capacity expansion together with the construction of the pelletizing plant.

Page 11. (OUTLOOK)

In Q4, our total steel production will be largely flat reaching around 3 million tonnes. The last quarter of the year is traditionally weak due to seasonal slowdown in activity from the construction and infrastructure sector, but, given the growth in the global raw material prices, in the export market we see an uptick in steel prices at the end of the quarter and improved pricing sentiment in the 1st quarter of 2011. Growth in activity from the trading companies and end-customers may lead to higher stocks-to-consumption ratios and consequently to put a cap on price growth for some time.

We believe that in Q4 2010 some increase in steel prices will contribute to a marginal growth in sales revenue of about 3% quarter on quarter. Q4 2010 EBITDA margin is estimated to be in the range of 20- 25%.

Our 2010 production will grow by 8% year-on-year to 11.5 million tonnes which represents about 95% capacity utilization. For next year we expect higher production volumes as we are launching new capacities, however, these will only be fully reflected in our production numbers in 2012.

According to our estimates, overall annual consumption in Russia may recover by 30% year-on-year. Russian steel consumption will be gradually recovering in 2011 – 2012 to reach 2008 levels, driven by a recovery from key consuming sectors.

We are sticking to our previous quarter›s guidance that envisages a moderately optimistic scenario both for steel consumption and pricing for 2011. We believe that global steel consumption may grow in 2011 by around 5%. And, as currently steel prices are defined largely by marginal steel producer costs, this growth in consumption may drive both production costs and, hence, average prices. We believe, if this scenario materializes, average steel prices may grow by 10%, but still, the steel industry will be facing a volatile pricing environment until the overall utilization rate in the global steel industry is back to the historical average.

Thank you. We will now be happy to take your questions.

Q&A Session

Sergey Donskoy, TROIKA DIALOG:

Do you confirm that the Capex for Q4 2010 is expected at $600 million?

What is the expected Capex for 2011 and what are the key projects next year?

Galina Aglyamova, CFO:

We expect to allocate about $500-600 million of investments in the fourth quarter of 2010. In 2011 we are planning to spend about $2.2 billion for the key projects of our Technical Upgrade Program, a quarter of this sum is budgeted for upstream asset development, namely, the expansion of Stoilensky, our iron ore mine, and the construction of the pelletizing plant. Currently, we are choosing a contractor and a supplier of the equipment.

The second important project in upstream we are planning to start next year is the development of the Zhernovskoe coal deposit in Siberia.

Dmitry Smolin, URALSIB:

Just wanted to confirm that in the fourth quarter of this year you really expect a decline in the EBITDA margin on a quarter-on-quarter basis down to 20-25%?

Galina Aglyamova, CFO:

Market environment in the fourth quarter remained volatile, and traditionally the last quarter is one of the weakest in the year, so a sequential decline in the profitability is largely expected. The market weakening in the fourth quarter is aggravated by a growth in raw material prices. In other words, the forecasted level of the EBITDA margin in the fourth quarter at the level of 20-25% looks justified. An uptick in the steel prices we all see in the end of the fourth quarter will be reflected in our sales revenue in the first quarter of the next year.