

# QUARTERLY REPORT

*Open Joint-Stock Company "Novolipetsk Steel"*

*The Issuer's code: 00102-A*

**for I quarter of 2007**

*Domicile: Russian Federation*

*Postal address: 2, pl. Metallurgov, Lipetsk 398040 Russia*

*The information contained in this quarterly report is subject to disclosure in accordance with legislation on securities of the Russian Federation.*

**Senior Vice-president –  
General Director**

\_\_\_\_\_  
(signature) **Vladimir P. Nastich**

Date "14" May 2007

**Chief Accountant**

\_\_\_\_\_  
(signature) **Alexander A. Sokolov**

Date "14" February 2007

Seal

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Web-site where this Quarterly Report is published: [www.nlmk.ru/rus/index/quarterindex.php3](http://www.nlmk.ru/rus/index/quarterindex.php3)

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## Introduction

*The obligation to disclose information in the form of a quarterly report according to the procedure set forth in the Regulations on Information Disclosure by Securities Issuers, approved by Decree of the Federal Financial Markets Service No. 06-117/нз-н dd. 10.10.2006, applies to Open Joint-Stock Company "Novolipetsk Steel" due to the following:*

- a) Open Joint-Stock Company "Novolipetsk Steel" is a joint-stock company set up in the course of privatization of a state-owned enterprise, in accordance with a privatization plan approved in due course, which, on the date of its approval, represented the Company's offering prospectus providing for the possibility of the shares disposal to more than 500 acquirers;*
- b) With regard to the securities of Open Joint-Stock Company "Novolipetsk Steel", the offering prospectus has been registered.*

*Open Joint-Stock Company "Novolipetsk Steel" is hereinafter in this Report referred to as "Issuer", "Company".*

*This quarterly report contains appraisal and forecasts made by the Issuer's authorized management bodies related to future events and / or actions, outlook of steel industry development and results of the Issuer's performance inclusive of the Issuer's plans, probability of certain events and actions. Investors shall not fully rely on appraisals and forecasts made by the Issuer's management bodies as actual performance data in the future may differ from the forecast ones due to many reasons. Acquisition of the Issuer's securities depends on risks described in this Quarterly Report.*

*Financial information included in the present quarterly report is based on the Issuer's financial statements compiled in accordance with Russian rules, and therefore, some discrepancy with the statements compiled as per international standards is possible.*

*In compiling the present quarterly report the Issuer followed solely the rules and regulations applied in the Russian Federation.*

# **I. Brief information on members of the Issuer's Management bodies, data on bank accounts, auditor, appraiser and financial adviser of the Issuer as well as on other persons who signed this quarterly report.**

## **1.1. Members of the Issuer's Management Bodies.**

*The Issuer's Management bodies:*

- a) General Shareholders' Meeting;*
- b) Board of Directors;*
- c) Collective executive body – Management Board;*
- d) Single executive body – President (Chairman of the Management Board).*

**Chairman of the Board of Directors:**

***Vladimir S. Lisin***

Year of birth: ***1956***

**Deputy Chairman of the Board of Directors:**

***Vladimir N. Skorokhodov***

Year of birth: ***1951***

**Members of the Issuer's Board of Directors:**

***Oleg V. Bagrin***

Year of birth: ***1974***

***Nikolai A. Gagarin***

Year of birth: ***1950***

***Dmitry A. Gindin***

Year of birth: ***1946***

***Karl Doring***

Year of birth: ***1937***

***Vladimir S. Lisin***

Year of birth: ***1956***

***Randolph Reynolds***

Year of birth: ***1941***

***Vladimir N. Skorokhodov***

Year of birth: ***1951***

***Igor P. Fyodorov***

Year of birth: ***1966***

**The Issuer's Management Board:**

***President (Chairman of the Management Board)***

**Alexey A. Lapshin**

Year of birth: **1947**

**Members of the Management Board:**

**Galina A. Aglyamova**

Year of birth: **1961**

**Igor N. Anisimov**

Year of birth: **1965**

**Dmitry A. Baranov**

Year of birth: **1968**

**Alexander Yu. Zarapin**

Year of birth: **1962**

**Yuriy I. Larin**

Year of birth: **1952**

**Vladimir P. Nastich**

Year of birth: **1953**

**Alexander N. Saprykin**

Year of birth: **1967**

**Stanislav E. Tsyrlin**

Year of birth: **1968**

**1.2. Information on the Issuer's bank accounts.**

**Information on NLMK's main bank accounts as of 31.03.2007**

#	Full (abbreviated) name, domicile, INN, BIC, correspondent account of credit institution	The Issuer's bank account	Account type
1	Closed joint-stock company "ABN AMRO Bank A.O."; "ABN AMRO Bank A.O."; Bldg 1, 17, ul. Bolshaya Nikitskaya 103009 Moscow; INN 7703120329; BIC 44525217; Correspondent account 3010181090000000217	407028104000050377 51 407028407000050377 51 407029783000050377 51	settlement account USD running account EUR running account
2	Closed joint-stock company "Deutsche Bank" OOO "Deutsche Bank"; 4, ul. Schepkina 129090 Moscow; INN 7702216772; BIC 44525101; Correspondent account 3010181010000000101	407028104000000001 32 407028402000000002 34 407029788000000000 14	settlement account USD running account EUR running account

3	<p><i>Closed joint-stock company "International Moscow Bank";</i>  <i>CJSC International Moscow Bank;</i>  <i>9, Prechistinskaya nab. 119034 Moscow;</i>  <i>INN 7710030411;</i>  <i>BIC 44525545;</i>  <i>Correspondent account</i>  <i>30101810300000000545</i></p>	<p><i>407028105000102368</i>  <i>05</i>  <i>407028401000102368</i>  <i>06</i>  <i>407029785000102368</i>  <i>02</i></p>	<p><i>settlement account</i>  <i>USD running account</i>  <i>EUR running account</i></p>
4	<p><i>Bank of Foreign Trade (open joint-stock company) (outlet No.6),</i>  <i>OAO Vneshtorgbank, (outlet No.6)</i>  <i>43, ul. Vorontsovskaya, Moscow, 109044;</i>  <i>INN 7702070139;</i>  <i>BIC 44525187;</i>  <i>Correspondent account 30101810700000000187</i></p>	<p><i>407028401001500000</i>  <i>39</i>  <i>407029787001500000</i>  <i>39</i>  <i>407028100001500001</i>  <i>56</i></p>	<p><i>USD running account</i>  <i>EUR running account</i>  <i>settlement account</i></p>
5	<p><i>Joint-stock bank of natural gas industry</i>  <i>"Gazprombank" (closed joint-stock company);</i>  <i>JSB "Gazprombank" (CJSC);</i>  <i>bldg. 1, 16, ul. Nametkina, Moscow, 117420;</i>  <i>INN 7744001497;</i>  <i>BIC 44525823;</i>  <i>Correspondent account:</i>  <i>30101810200000000823</i></p>	<p><i>407028104000000025</i>  <i>31</i></p>	<p><i>settlement account</i></p>
6	<p><i>Joint-stock commercial bank "ROSBANK" (open joint-stock company);</i>  <i>OAO JSB «ROSBANK»;</i>  <i>11, ul M. Poryvaevoy 107078 Moscow;</i>  <i>INN 7730060164;</i>  <i>BIC 44525256;</i>  <i>Correspondent account 30101810000000000256</i></p>	<p><i>407028105000001147</i>  <i>27</i>  <i>407028409000000147</i>  <i>27</i>  <i>407029785000000147</i>  <i>27</i></p>	<p><i>settlement account</i>  <i>USD running account</i>  <i>EUR running account</i></p>
7	<p><i>Open joint-stock company Bank of social development and construction</i>  <i>"Lipetskcombank";</i>  <i>OAO "Lipetskcombank";</i>  <i>8, ul. Internatsionalnaya 398600 Lipetsk;</i>  <i>INN 4825005381;</i>  <i>BIC 44206704;</i>  <i>Correspondent account</i>  <i>30101810700000000704</i></p>	<p><i>407028105000000007</i>  <i>72</i>  <i>407028109000000007</i>  <i>70</i>  <i>407028103000000003</i>  <i>09</i>  <i>407028108000000003</i>  <i>17</i>  <i>407028405000000000</i>  <i>56</i>  <i>407029781000000000</i>  <i>56</i></p>	<p><i>settlement account</i>  <i>settlement account</i>  <i>settlement account</i>  <i>settlement account</i>  <i>USD running account</i>  <i>EUR running account</i></p>
8	<p><i>Moscow branch of OJSC «Lipetskcombank»;</i>  <i>2, 2<sup>nd</sup> Avtozavodskoy proezd 109004 Moscow;</i>  <i>INN 4825005381;</i>  <i>BIC 44579254;</i>  <i>Correspondent account 30101810500000000254</i></p>	<p><i>407028101020000000</i>  <i>15</i>  <i>407028404020000000</i>  <i>15</i>  <i>407029780020000000</i>  <i>15</i></p>	<p><i>settlement account</i>  <i>USD running account</i>  <i>EUR running account</i></p>
9	<p><i>Bank ZENIT (open joint-stock company);</i>  <i>Bank ZENIT;</i>  <i>9, Banny pereulok 129110 Moscow;</i>  <i>INN 7729405872;</i>  <i>BIC 44525272;</i>  <i>Correspondent account 30101810000000000272</i></p>	<p><i>407028108000000023</i>  <i>93</i>  <i>407028401000000023</i>  <i>93</i>  <i>407029787000000023</i>  <i>93</i></p>	<p><i>settlement account</i>  <i>USD running account</i>  <i>EUR running account</i></p>



10	<p><i>Closed joint-stock company "BNP PARIBAS Bank";</i>  <i>CJSC "BNP PARIBAS Bank";</i>  <i>Bldg 2, 1, Bolshoy Gnezdnikovsky pereulok,</i>  <i>125009, Moscow;</i>  <i>INN 7744002405;</i>  <i>BIC 44525185;</i>  <i>Correspondent account 3010181010000000185</i></p>	<p><i>40702810500003030</i>  <i>01</i></p> <p><i>40702840100003030</i>  <i>02</i></p> <p><i>40702978300003030</i>  <i>04</i></p>	<p><i>settlement account</i>  <i>USD running account</i>  <i>EUR running account</i></p>
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### 1.3. Information on the Issuer's Auditor (Auditors).

The Auditor who audits accounting and financial statements, prepared under Russian accounting standards (RAS) as well as consolidated financial statements prepared under US GAAP:

Full name: ***Closed joint-stock company «PricewaterhouseCoopers Audit»***  
Abbreviated name: ***CJSC "PwC Audit"***  
Domicile: ***Bldg 5, 52, Kosmodamianskaya naberezhnaya 115054 Moscow Russia***  
Tel: ***(495)-967-60-00***  
Fax: ***(495)-967-60-01***  
E-mail: ***[webmaster@pwc.com](mailto:webmaster@pwc.com)***

Auditor's license data:

License No: ***E000376***  
Issue date: ***20.05.2002***  
Validity: ***till 20.05.2007***  
Licensor: ***Russian Ministry of Finance***

Information on the Auditor's membership in collegiate organs, associations or other professional organizations:

*The Auditor is the member of the following professional organizations (associations):*

- Audit Chamber of Russia;***
- Institute of Professional Accountants & Auditors of Russia.***

Financial Statements for the following financial years have been audited by the auditor:

***Auditing of RAS financial statements: 2005, 2006.***

***Auditing of US GAAP financial statements: 2003, 2004, 2005, 2006.***

Factors that can affect the Auditor's independence from the Issuer, including information on any material interests binding the Auditor (the Auditor's officers) with the Issuer (the Issuer's officers):

***There are no factors that can affect the Auditor's independence from the Issuer or interests binding the Auditor (Auditor's officers) with the Issuer (the Issuer's officers), namely:***

- the Auditor (the Auditor's officers) does (do) not have any share in the Issuer's chartered capital;***
- the Issuer did not grant any loans to the Auditor (the Auditor's officers);***
- there is no close partnership (promotion of the Issuer's products (services), joint ventures, etc.), as well as kinship;***
- there are no Issuer's officers being simultaneously the Auditor's officers.***

Procedure of Auditor appointment:

**An Auditor is appointed by the General Shareholders' Meeting as advised by the Board of Directors. Recommendations on the Company's Auditor for the Board of Directors are prepared by the Audit Committee. Tender related to Auditor appointment can be provided for. Main rules of the tender, if there is one, are determined by the Audit Committee.**

Information on projects executed by the Auditor in the framework of special engagements:

**The Auditor did not execute any projects in the framework of special engagements.**

Procedure of Auditor fee determination:

**The Company's Board of Directors shall determine the fee for Auditor's services and any other essential terms and conditions.**

The actual amount of remuneration paid by the Issuer to the Auditor upon closure of each fiscal year for which the Auditor audited the Issuer's financial statements under RAS:

**- RUR 4 871 004,6 (USD 177 000), including VAT, for auditing of financial statements for the year ending on December 31, 2005.**

**- RUR 3 364 169,38 (USD 129 800), including VAT, for auditing of financial statements for the year ending on December 31, 2006.**

Information on deferred and late payments for the Auditor's services:

**There are no deferred and late payments for the Auditor's services.**

## 1.6. Information on other persons who signed this Quarterly Report.

**Alexander A. Sokolov**

Year of birth: **1961**

Place of employment: **OJSC NLMK**

Title: **Chief Accountant**

## II. Main information on the Issuer's financial performance.

### 2.1. Financial and economic indicators of the Issuer's performance.

<b>Indicator</b>	<b>as of 31.12.2002</b>	<b>as of 31.12.2003</b>	<b>as of 31.12.2004</b>	<b>as of 31.12.2005</b>	<b>as of 31.12.2006</b>	<b>as of 31.03.2007</b>
<b>Net assets, RUR thousand</b>	<b>44 873 649</b>	<b>65 172 684</b>	<b>105 390 490</b>	<b>129 770 059</b>	<b>159 303 138</b>	<b>168 848 900</b>
<b>Debt capital to capital and reserves ratio, %</b>	<b>9,2%</b>	<b>9,8%</b>	<b>8,3%</b>	<b>6,9%</b>	<b>8,7%</b>	<b>6,2%</b>
<b>Short-term liabilities to capital and reserves ratio, %</b>	<b>9,0%</b>	<b>8,7%</b>	<b>7,4%</b>	<b>6,0%</b>	<b>7,7%</b>	<b>5,2%</b>
<b>Cover of payments related to debt servicing (coefficient)</b>	<b>5,9</b>	<b>.*</b>	<b>.*</b>	<b>.*</b>	<b>13,0</b>	<b>2,5</b>

<b>Outstanding debt level, %</b>	<b>4,4%</b>	<b>5,9%</b>	<b>2,5%</b>	<b>0,9%</b>	<b>0,4%</b>	<b>1,7%</b>
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Q1 2007</b>
<b>Dividend payout ratio**, %</b>	<b>12,4%</b>	<b>16,1%</b>	<b>21,6%</b>	<b>51,1%</b>		
<b>Short-term accounts receivable turnover (times per period)</b>	<b>8,2</b>	<b>9,6</b>	<b>11,5</b>	<b>8,3</b>	<b>7,2</b>	<b>1,6***</b>
<b>Labor productivity, RUR thousand per person</b>	<b>1 151,4</b>	<b>1 830,8</b>	<b>3 199,9</b>	<b>3 072,9****</b>	<b>3 742,8</b>	<b>1 032,3***</b>
<b>Depreciation to revenues ratio, %</b>	<b>1,5%</b>	<b>1,3%</b>	<b>1,0%</b>	<b>1,7%</b>	<b>1,7%</b>	<b>1,8%</b>

Notes: \* in 2003-2005 and Q1 2006 OJSC NLMK did not have any loans or credits,

\*\* The indicator was calculated on the basis of the full-year performance upon annual dividend rate approval by NLMK's General Shareholders' Meeting,

\*\*\* The indicators are stated on the quarterly basis,

\*\*\*\* The indicators were recalculated in connection with the changes in the Profit & Loss Statement for 2005, due to reclassification of income and expense from sales of in-house inventories as other income and expense.

For calculation of the a/m indicators the procedures recommended by the Regulations on Information Disclosure by Securities Issuers, approved by Decree of the Federal Financial Markets Service No. 06-117/n3-H dd. 10.10.2006

**Analysis of dynamics of the a/m indicators is indicative of the Issuer's stable financial performance and solvency, primarily in view of stable net assets growth, growth of its equity capital and its share in funding.**

**The increase in the Company's net assets amounted to:**

**45% - as of 31.12.2003 as compared to 31.12.2002, which resulted from the increase in short-term financial investments, growth of short-term receivables and reserves due to the growth of equity capital;**

**62% - as of 31.12.2004 as compared to 31.12.2003, which is associated mainly with the increase in long-term financial investments (investments in subsidiaries), increase in short-term financial investments (short-term currency deposits) and fixed assets growth due to substantial equity capital growth;**

**23% - as of 31.12.2005 as compared to 31.12.2004, which is caused by the growth of equity capital used for financing of fixed and current assets;**

**23% - as of 31.12.2006 as compared to 31.12.2005, due to the growth of the Company's equity capital which was used mainly to increase the fixed assets (investments in subsidiaries).**

**NLMK's net assets as of 31.03.2007 increased by 6% as compared to the respective indicator as of 31.12.2006, which is primarily caused by the increase in surplus earnings and equity capital of the Company. Furthermore, as of 31.03.2007 the Company's short-term liabilities decreased due to repayment of bank credit granted in December 2006.**

**The Company's net assets as of 31.03.2007 exceed its chartered capital (by 28 times) with is indicative of the Issuer's stable financial situation.**

**Dynamics of the indicator "short-term liabilities to capital and reserves ratio" basically follows the dynamics of "debt capital to capital and reserves ratio", because short-term liabilities account for main debt capital amount. These indicators were slowly decreasing within 2001-2005. This positive tendency results from the Company's stable equity capital increase due to its surplus earnings. Moreover, the amount of loan capital (note loan repayment) decreased in 2002.**

**Slight increase of indicator "debt capital to capital and reserves ratio" as of 31.12.2003 (up to 9.8%) is related to the Issuer's accounts payable increase and long-term liabilities growth. Long-term liabilities increase is caused by accounting of the Issuer's deferred tax liabilities in its statement in accordance with new RF Accounting Rules.**

**The growth of the a/m indicators as of 31.12.2006 is associated with the increase in short-term liabilities due to obtaining of the bank credit to finance the Company's day-to-day operations.**

**In QI 2007 the downward trend of the indicators "debt capital to capital and reserves ratio" and "short-term liabilities to capital and reserves ratio" resumed: as of 31.03.2007 they amounted to 6,2% and 5,2%, respectively. It mainly resulted from reduction of short-term liabilities due to the bank credit repayment, as well as equity capital increase due to surplus earnings.**

**The resulting indicators are indicative of the low dependence of NLMK on borrowings.**

**NLMK's outstanding debt is quite insignificant. As of 31.03.2007 the share of outstanding debt in the Company's total debt was only 1,7%, which is indicative of the Company's stable financial situation and debt repayments without significant delays.**

#### **Short-term accounts receivable turnover**

**Short-term accounts receivable turnover accelerated within 2001 – 2004.**

**In 2003 the accounts receivable turnover indicator increased as compared to 2002 and amounted to 9.6. It was facilitated by sales proceeds growth (+41% vs. 2002) outrunning the growth of the average amount of accounts receivable (+21 vs. 2002).**

**In 2004 the accounts receivable turnover indicator increased significantly (up to 11.5 fold per year) vs. the 2003 indicator as a result of significant sales proceeds growth (+68%) upon accounts receivable growth by 38%.**

**In 2005 accounts receivable turnover slowed down as compared to the 2004 indicator (down to 8,3), which resulted from the increase in the growth of average amount of accounts receivable (+30) against the background of sales proceeds decrease (-6%).**

**In 2006 the accounts receivable turnover indicator continued to decrease and amounted to 7,2 times per year, which was caused by higher rate of the average amount of accounts receivable increase (+37%) as compared to the sales proceeds growth rate (+16%).**

**In QI 2007 the accounts receivable turnover indicator remained at the level of the corresponding period of 2006 and amounted to 1,6 (1,8 for QI 2006).**

**Labor productivity indicator for the period 2001-2004 was increasing. The main factor for labor productivity increase was the sales proceeds growth. Moreover, the Company's average headcount reduced.**

**That is, in 2002 labor productivity increased by 52%;**

**in 2003 labor productivity increased by 59%;**

**in 2004 labor productivity increased by 75%.**

**In 2005 the labor productivity indicator dwindled by 4% as a result of sales proceeds decrease (-6%) as compared to 2004.**

**In QI 2007 the Company's labor productivity also grew as compared to QI 2006 (+44%) and amounted RUR to 1 032,3 thousand / person. It was caused by the Company's headcount reduction by 9% as compared to the level of QI 2006, due to separation of nonindustrial units from NLMK, as well as the sales proceeds growth (+31% as compared to 2006).**

#### **Depreciation to revenues ratio**

**Over the period 2001 – 2006 the depreciation to revenues ratio didn't fluctuate much and didn't exceed 1,7%.**

**In 2005 depreciation increased as compared to 2004 (from 1,0% to 1,7%). It is accounted for by increased amortized deductions in 2005 as a result of upgraded facilities startup, on the one hand, and revenues decrease (-6%) as compared to 2004, on the other hand.**

**In 2006 the depreciation to revenues ratio remained at the level of 2005.**

**In QI 2007 the depreciation to revenues ratio amounted to 1,8% (in QI 2006 – 2,1%), which is accounted for by higher rate of the sales proceeds increase (+31% vs. QI 2006) as compared to the rate of of amortized deductions increase (+13% vs. QI 2006).**

## 2.2. The Issuer's market capitalization.

*The Issuer's total common shares outstanding – 5 993 227 240.*

*The value of NLMK capitalization calculated in accordance with the Procedure of calculation of market price for issued securities as well as investment shares in unit investment trusts, admitted to circulation with trade institutors, approved by Resolution of Russian Central Bank Financial Committee (FKZB) No.03-52/nc dd. 24.12.2003*

*Since November 23, 2004, NLMK's common stock has been listed in the system "Stock market of the Open Joint Company "Stock Exchange "Russian Trade System" (Exchange) (ticker symbol - NLMKG).*

*The value of NLMK's capitalization as per the Exchange data, amounted to:*

- *as of 30.12.2005 – RUR 245 446 388 657;*
- *as of 29.12.2006 - RUR 369 201 197 192.*

*Since January 14, 2005 NLMK's common stock (ticker symbol – NLMK) has been listed on the Quote List "B" of Securities List ("Classical shares market") admitted to trading with Non-commercial Partnership "Stock Exchange "Russian Trade System" (Exchange).*

*The value of NLMK's capitalization as per the Exchange data, amounted to:*

- *as of 30.12.2005 г. – RUR 256 375 577 920.*

*The value of NLMK's capitalization as of 29.12.2006 on the basis of the Partnership data is not indicated, as in QIV 2006 there were not enough transactions in the Classical Market of NP RTS to calculate the market price of NLMK's common stock.*

*In accordance with the resolution of the Board of Directors of NP RTS dd. 12.09.2006, since January 1, 2007, trading in the Classical market was transferred from NP RTS to OAO RTS. As a result of this restructuring, the legal entity – OAO RTS – became the trade institutor in all RTS markets. Accordingly, starting from 2007 market price is to be calculated on the basis of transactions effected in all trading environments of OAO RTS (Classical market + Exchange market).*

*The value of NLMK's capitalization as per the Exchange data, amounted to:*

- *as of 30.03.2007 – RUR 455 404 960 995.*

*Since April 6, 2006 NLMK's common has been traded in the International Interbank Stock Exchange (ticker symbol – NLMK, code ISIN– RU0009046452), included in the Unofficial List of IISE in accordance with the Listing Rules, admission to distribution and circulation of securities and the Rules of Securities Trading.*

*On 21 July 2006 the Board of Directors of ZAO Stock Exchange IISE made a decision to list NLMK's common stock on Quote List "B" of IISE. Since 9 August 2006 NLMK's common stock listed on IISE's Quote List "B" has been traded.*

*The value of NLMK's capitalization as per the Exchange data, amounted to:*

- *as of 29.12.2006 – RUR 378 831 893 840;*
- *as of 30.03.2007 – RUR 450 930 417 538.*

*From November 5, 2003 to January 28, 2005 information on indicative quoting of the Issuer's common stock was presented on "RTS Board" (ticker symbol – nlmk), though as this information is not an official securities quotation, it cannot be used for calculation of market capitalization of the Company.*

*In December 2005 NLMK's common stock was admitted to trading on London Stock*

*Exchange as Global Depositary Shares.*

**2.3. The Issuer's liabilities.**

**2.3.1. Accounts payable.**

The structure of NLMK's accounts payable as of 31.12.2006.

RUR

Liabilities	Maturity date	
	To 1 year	Over 1 year
<i>Accounts payable to suppliers and contractors</i>	3 148 690 608	-
<i>inclusive: overdue</i>	50 313 876	-
<i>Salaries and wages</i>	302 186 782	-
<i>inclusive: overdue</i>	-	-
<i>Arrears to the budget and off-budget funds</i>	1 448 144 295	-
<i>inclusive: overdue</i>	-	-
<i>Credits</i>	4 082 007 633	-
<i>inclusive: overdue</i>	-	-
<i>Loans, total</i>	-	-
<i>inclusive: overdue</i>	-	-
<i>inclusive: bonded loans</i>	-	-
<i>inclusive: overdue bonded loans</i>	-	-
<i>Other accounts payable</i>	3 264 109 279	36 190 280
<i>inclusive: overdue</i>	747 880	-
<i>Total</i>	12 245 138 597	36 190 280
<i>inclusive: total overdue</i>	51 061 756	-

**Creditors accounting for at least 10 percent of the total accounts payable amount as of 31.12.2006:**

1. Full company name: *Joint-stock bank of natural gas industry "Gazprombank" (closed joint-stock company);*

Abbreviated name: *JSB "Gazprombank" (CJSC);*

Domicile: *Russia, bldg. 1, 16, ul. Nametkina, Moscow, 117420;*

Accounts payable amount: *RUR 3 291 388 thousand*

incl.:

overdue accounts payable: *none*

The structure of NLMK's accounts payable as of 31.03.2007.

RUR

Liabilities	Maturity date	
	To 1 year	Over 1 year
<i>Accounts payable to suppliers and contractors</i>	3 120 505 302	-
<i>inclusive: overdue</i>	169 451 472	-
<i>Salaries and wages</i>	360 278 369	-
<i>inclusive: overdue</i>	-	-
<i>Arrears to the budget and off-budget funds</i>	1 278 031 234	-

<i>inclusive: overdue</i>	-	-
<b>Credits</b>	-	-
<i>inclusive: overdue</i>	-	-
<b>Loans, total</b>	-	-
<i>inclusive: overdue</i>	-	-
<i>inclusive: bonded loans</i>	-	-
<i>inclusive: overdue bonded loans</i>	-	-
<b>Other accounts payable</b>	3 951 005 115	54 215 515
<i>inclusive: overdue</i>	4 203 011	-
<b>Total</b>	8 709 820 020	54 215 515
<i>inclusive: total overdue</i>	173 654 483	-

*NLMK's accounts payable as of 31.03.2007 do not incorporate creditors accounting for at least 10 percent of the total accounts payable.*

*Overdue accounts payable as of 31.12.2006 and 31.03.2007 represent accounts payable to certain contractors which appeared in the normal course of business and was repaid within the terms agreed by the parties.*

*The risk of imposing of fines and sanctions as well as charging of penalties and accrual of interest on default obligations is estimated as low by the Issuer.*

### 2.3.2. The Issuer's credit history.

*Over the latest five completed financial years and as of the reporting quarter closure, the Issuer did not conclude any facility agreements or loan agreement, where the principal would make 5 or more percent of the Issuer's balance sheet assets.*

*The Issuer considers the liabilities under the agreements in force as of the reporting quarter closure to be insignificant.*

*No loan agreements with NLMK being the debtor have been entered into.*

### 2.3.3. The Issuer's commitments related to security for third parties.

*RUR thousand*

	<i>As of 31.12.2002</i>	<i>As of 31.12.2003</i>	<i>As of 31.12.2004</i>	<i>As of 31.12.2005</i>	<i>As of 31.12.2006</i>	<i>As of 31.03.2007</i>
<b>Commitments related to security provided for third parties, total</b>	186 611	1 335 267	91 100	-	1 476 990	2 578 061

*For the period from 2002 to the Q1 2007 closure NLMK did not provide security to third parties, including pledges or pawns, amounting to at least 5 percent of the Company's balance sheet assets.*

### 2.3.4. Other commitments of the Issuer.

*There were no other commitments of the Issuer as of the reporting quarter closure.*

### 2.4. Purposes of issue and use of funds gathered from securities distribution.

*The Company did not issue any securities distributed by subscription since the date of its registration. So the Company did not raise funds by securities distribution.*

## **2.5. Risks related to acquisition of distributed equity securities.**

*Acquisition of NLMK's securities entails certain risks which could result in losses for shareholders. Negative impact on the Issuer's main activity and financial performance can be produced by the following risks:*

- *industry risks;*
- *country and regional risks;*
- *financial risks;*
- *legal risks; and*
- *risks related to the Issuer's activity.*

### **2.5.1. Industry risks**

*NLMK actively operates in domestic and international markets as metal products manufacturer and seller. Industry risk factors in this field include:*

*Industry risks related to raw materials market:*

*NLMK is one of the major consumers of metallurgical-grade raw materials in the domestic raw materials market. Raw materials suppliers are subject to risks depending on the specific nature of each segment of the raw materials market.*

*Industry risks in raw materials markets cover:*

- *volatility of prices for purchased materials, increased raw & other materials shortages in the domestic market;*
- *breach of obligations on the part of materials suppliers – regarding the composition and quality of raw materials;*
- *breach of obligations on the part of materials suppliers related to deliveries cycle, up to full disruption of logistic support.*

*Within the reporting period there haven't been any significant fluctuations of prices for raw materials. Main raw materials are supplied by subsidiaries, prices for them are fixed till the end of the year. The prices for "exchange" raw materials (zinc, aluminum and other nonferrous metals) and scrap may change.*

*Prices for products and services of natural monopolies rise not more than once per year, mainly from January 1. Thus the increase in prices for natural gas and electric energy before the end of 2007 is very unlikely.*

*The main industry risks for logistical operations in iron and steel industry are:*

- *risk of the failure to provide the rolling-stock, which can cause disruption of raw materials deliveries and finished products shipment;*
- *risk of increase in natural monopolies' rates for raw materials & finished products transportation, which can cause the increase in transportation costs and therefore the deterioration of products competitiveness in certain markets.*

*In order to reduce the risks related to partial or full disruption of deliveries, NLMK cooperates with its subsidiary – Limited Liability Company "Independent Transport Company" (hereinafter – LLC NTK). LLC NTK purchased its own rolling stock, which reduces the risk of failure to provide the rolling-stock for the Issuer's shipments.*

*Furthermore, the Issuer is forming a reserve stock of main raw materials in order to guarantee the production cycle continuity. Main natural resources are supplied in accordance with approved schedules, which provide for balanced deliveries for continuous production of finished products.*



*In order to reduce the risks related to the sharp increase in natural monopolies' rates for raw materials & finished products transportation, the Issuer, along with JSC Russian Railways, cooperates with its subsidiary LLC NTK and alternative forwarding companies. In this case, the cars from the common fleet of JSC Russian Railways, as well as those from private or rented rolling stock are used for transportation.*

*Taking into account the governmental policy related to natural monopolies' service rates, changes in rates in QII and up to the end of 2007 are not anticipated.*

**Industry risks in sales markets:**

**Domestic market.**

*Steel production in the Russian Federation exceeds its consumption twofold. In recent years, the domestic demand for steel products has been growing, which resulted from higher rates of Russian industry development. Accordingly, steelmaking companies increase their supplies to the domestic market. There is a risk of oversupply in this market.*

*Demand for some products has seasonal nature. In case of such sale slowdown NLMK either lowers the price on a timely basis or retargets its production to other products.*

**Foreign market.**

*There is a risk of global steel overproduction, mainly due to the steep increase of production capacities in China. Furthermore, there are limitations imposed on supplies of steel products to the countries of EU and North America. The dynamics of global prices for steel products is cyclic. On average, the prices in QI 2007 were lower than the prices in QIV 2006, however, the increase in prices is anticipated in QII 2007.*

*It is assumed that within this year there will not be any significant price fluctuations in the international market, prices will be changing within the current price band with a slight upward trend.*

*Thus, industry risks in the sales market cover:*

- *cyclic nature of demand for ferrous products;*
- *price risks characterized by high volatility of prices for ferrous products in global and domestic markets;*
- *intra-sector competition, caused by high concentration of steel producers;*
- *macroeconomic risks in foreign and domestic markets, including economic growth rates, inflation expectations and prices in utilities markets;*
- *higher tariffs, quotas and other trade restrictions in major export markets;*
- *aggravation of competition on the part of other producers, including those from emerging markets (China, Brazil and India);*
- *risks associated with restructuring of the sector due to consolidation trends.*

*In case the above risks appear, the Company will have to adjust its activities accordingly. In order to reduce the risks, NLMK pursues a policy of sales optimization in the domestic and foreign markets, as well as regional diversification policy in order to reduce its dependence on conditions in one particular region.*

*NLMK diversifies its production, increasing shipments of downstream products, high value-added products, such as prepainted flats, electrical steels, i.e. the products in high demand. NLMK continues to implement its Technical Upgrading Program, aimed at output expansion and quality improvement.*

## **2.5.2. Country and regional risks**

**Country risks:**

**1. Limitations in sales markets**

- **Limitations currently in force in sales markets:**

<i>Market</i>	<i>Product type</i>	<i>Limitation type</i>	<i>Period</i>
<i>Argentine</i>	<i>Hot flats, width 600 mm and more, thickness up to 10 mm</i>	<i>Anti-dumping duty -122,5% of export price FOB USD/ton</i>	<i>2006 - 2011</i>
<i>Venezuela</i>	<i>Hot flats in sheets, width 600 mm and more, (except &gt; 1 240 mm)</i>	<i>Anti-dumping duty -45,03% of CIF price</i>	<i>2004 – 2009</i>
	<i>Cold flats in sheets, width 600 mm and more</i>	<i>Anti-dumping duty -45,41% of CIF price</i>	<i>2004 – 2009</i>
<i>EU</i>	<i>GO steel</i>	<i>Price control instead of anti-dumping duty ( rate of anti-dumping duty for NLMK – 11,5%, for LLC VIZ-Stal – 0%)</i>	<i>Since August 2005. Since February 23 2007 - revision due to inclusion of LLC VIZ-Stal in NLMK Group</i>
	<i>Hot flats, cold flats, prepainted/coated flats</i>	<i>Quotas on supplies under the agreement between the RF and EU on trade in certain steel products.</i>	<i>Since 1995 till Russia's entry in WTO</i>
<i>USA</i>	<i>Hot flats</i>	<i>Price control under the agreement between the RF and USA on suspension of anti-dumping investigation regarding hot-rolled flat products</i>	<i>2004 - 2009</i>
<i>Canada</i>	<i>Hot plates</i>	<i>Anti-dumping duty -25,2% of customs value</i>	<i>2002 – 2007</i>
<i>Mexico</i>	<i>Cold flats in coils acc. to codes 7209.16.01 and 7209.17.02</i>	<i>Anti-dumping duty for NLMK – 88%</i>	<i>2004 – 2009</i>
	<i>Hot plates with thickness more than 4,75 mm, in sheets (Mexican commodity classification code: 7208.51.01, 7208.51.02, 7208.51.03, 7208.52.01)</i>	<i>Anti-dumping duty – 36,8 %</i>	<i>2005 - 2010</i>
	<i>Thin-gage hot flats in coils, thickness &lt; 4 mm, acc. to codes 7208 (10.99; 26.01;27.01; 38.01;39.01).</i>	<i>Anti-dumping duty – 30,31%</i>	<i>2005 – 2010</i>
	<i>Thin-gage hot flats in coils, thickness over 4,75 mm. 7208 37</i>	<i>Anti-dumping duty – 29,3%</i>	<i>2001 – 2006 Revision</i>
<i>Peru</i>	<i>Hot plates in sheets and coils, cold flats with width 1220 mm and less acc. to code 7209.27.00</i>	<i>Anti-dumping duty – HR – 40,09-56,09% CR – 35,43%</i>	<i>Since 1999 – for the time being</i>
	<i>Cold coils and sheets, thickness less than 3 mm (galvanized coils and sheets)</i>	<i>Anti-dumping duty – 21 %</i>	<i>2006 – 2011</i>
<i>Thailand</i>	<i>Hot flats in sheets and coils, with thickness up to 1550 mm</i>	<i>Anti-dumping duty for NLMK - 24,2%.</i>	<i>2003 - 2008</i>
	<i>Thin-gage hot flats in coils, width 600 mm and more, thickness from 1,2 to 12 mm.</i>	<i>Anti-dumping duty in the amount 28,16% of CIF price</i>	<i>2003 – 2008</i>

	<i>Cold flats in sheets and coils, width up to 1550 mm acc. to codes 7209.16,17,18,26,27,28,90, 7211.23 and 7211.29</i>	<i><u>Anti-dumping duty</u> for NLMK - - 35,8% of CIF price</i>	<i>2003 - 2008</i>
<i>Turkey</i>	<i>Slabs acc. to codes: 7207.11.14.00.13; 7207.11.14.00.14; 7207.11.16.00.13; 7207.11.16.00.14; 7207.20.15.00.13; 7207.20.15.00.14.</i>	<i><u>Anti-dumping duty</u> - in the amount 7\$ per ton.</i>	<i>2001 – 2006 Revision</i>

- *Imposure of higher tariffs, quotas and other restrictions in the RF and in main export markets (in the short term (3 months) it is not anticipated);*

## *2. Risk of political situation deterioration*

- *Political situation deterioration in Russia and in main sales markets (in the short term (3 months) it is not anticipated).*

- *Possibility of emergency state announcement:*

- *there is no risk of emergency state announcement in Russia in the short term, as well as in the distant future;*

- *the risk of emergency state announcement in main sales markets in the short term (3 months) is not anticipated.*

- *Probability of stakes (in the short, middle or long term it is not anticipated, as NLMK conducts its business in economically and socially stable regions).*

- *Probability of international sanctions against Iran, an importer of NLMK's products, because of its nuclear program. Potential sanctions will not influence NLMK's exports, as only 0,7% (i.e. less than 10%) of NLMK's total sales were exported to Iran in 2006.*

## *3. Risk of military conflicts*

- *Risk of military conflicts in Russia (in the short, middle or long term it is not anticipated)*

- *In the short or middle term there is no risk of military conflicts in the main export markets.*

*Current military and armed conflicts:*

- *In India in Orissa there is an armed resistance of Maoist forces to iron ore mining plans and construction of new steelmaking plants. The armed conflict in India will not influence NLMK's exports.*

- *- In Iran a military operation may be launched by the USA and NATO. The probable military operation against Iran will not influence NLMK's exports, as only 0,7% (i.e. less than 10%) of NLMK's total sales were exported to Iran in 2006.*

*In other regions where NLMK exports its products the risk of military conflicts in the short term (3 months) it is not anticipated.*

### *Regional risks:*

- 1. Reduction of the federal and regional budget (in the short or middle term it is not anticipated).*

- 2. Disruption of interaction between the mining, iron & steel and transport segments (in the short or middle term it is not anticipated).*

- 3. Reduction in sales in the domestic market because of lower demand for steel in Russia, due to the following reasons:*

- *Deterioration of competitiveness of Russian metal-consuming industries: automotive, agricultural engineering, etc. (it is possible in the long term (after Russia's entry in WTO), if there are no investments in technical revamping and no governmental programs aimed at the development of Russian metal-consuming industries).*

- *Reduction of foreign investments due to the lower investment attraction of Russia (e.g. as a result of deterioration of political situation) - in the short or middle term it is not anticipated.*

- *Growth of steel imports in the Russian Federation (it is possible in the long term (after Russia's entry in WTO, as well as increasing exports of other countries, mainly China).*

**Conclusions:**

*NLMK's production activity is conducted in the territory of the Russian Federation. Taking into account the current economic and political situation in Russia, the country risks are quite insignificant for NLMK.*

*There are no geographical risks for NLMK. NLMK and its subsidiaries have a efficient system of cooperation between the mining, iron & steel and transport segments, its main facilities are located within 1500 km from its main Russian consumers, close to major traffic arteries.*

*Risks associated with probable military conflicts, emergency states and stakes are practically nonexistent, as the Issuer conducts its business in economically and socially stable regions.*

### **2.5.3. Financial risks**

#### **Currency risks**

*Being an export-oriented enterprise, the Issuer faces currency risks, which can affect its performance and result in reduction of its asset liquidity.*

*A significant portion of NLMK's revenues falls on export sales. Taking into account the exchange rate dynamics in the previous years, the Issuer frames its exports program with regard to possible (forecast) dynamics of the main currencies. Actions are taken to diversify export proceeds currency structure, which enabled the Company to minimize the EUR/USD exchange rate fluctuations.*

*NLMK proportionally allocates payments to long-term import contracts and uses letters of credit issued on un-covered basis under facilities for trade financing granted by banks for NLMK. Due to this, the Company can manage its cash flows in an efficient way.*

*As the most part of NLMK's expenses are in rubles, there is a risk of its business profitability reduction in case of significant ruble exchange rate fluctuations with respect to foreign currencies. In order to minimize these risks, the Company takes the following measures:*

- *foreign currency hedging by means of forward transactions with banks ;*
- *depositing of surplus funds in rubles and foreign currency, which enables the Company to mitigate its dependence on exchange rate fluctuations while maintaining profitability.*

#### **Risk of interest rate development**

*As of 31.03.2007, NLMK has fully repaid its credit indebtedness. There were no borrowings under loan agreements.*

*NLMK's high solvency enables it to decrease the cost of borrowings used for financing of its day-to-day operations and investment projects.*

*Furthermore, tough monetary policy in Russia facilitates the gradual decrease of inflation; it results in the decrease of interest rate, which is an indicator for borrowings cost formation.*

*Therefore, the risks associated with interest rate development have no significant influence on the Issuer's financial position.*

### **2.5.4. Legal risks**

*The Issuer may face the following legal risks related to operations of NLMK and NLMK Group, in connection with the existing tax law changes, requirements to licensing of the Issuer's core activity, judicial practice, which can affect NLMK's performance:*

*According to Part 1 of the Tax Code of the Russian Federation:*

*In accordance with Law No.137-FZ dd. Jule 27, 2006 "Concerning the introduction of amendments in Part 1 and Part 2 of the RF Tax Code and in certain legislative acts of the Russian Federation in connection with actions aimed at tax administration improvement", on*

**01.01.2007 the responsibility of taxpayers was increased and the rights of tax authorities were expanded..**

**1. A tax authority shall have the right to collect tax out of the assets of an organization within one year from the deadline of the tax payment request (Art. 47 TC RF).**

**2. In case the taxpayer delays the advance tax payment, a tax authority will charge a penalty, now matter how the advance payment is calculated: on the basis of the actual taxation base or otherwise (Paragraph 2 Cl. 3 Art. 58 TC RF).**

**3. A tax demand can be sent to the taxpayer not later than three months after the tax arrears identification (Cl. 1 Art. 70 TC RF), instead of not later than three months after the deadline for the tax payment, as before. This is not a favorable change for taxpayers. There can be disputes between taxpayers and tax authorities related to tax arrears identification time or the time when it should (may) be identified by tax authorities.**

**4. The attachment of property shall be used for execution of decision on collection of not only tax, but penalties and fines as well (Art. 77 TC RF).**

**5. The period for crediting of a tax overpayment towards the taxpayer's future payments has been increased: from 5 to 10 days (from the day of application receipt or reconciliation report signing, if there was such a reconciliation) (Cl. 4 Art. 78 TC RF).**

**6. By decision of the tax authority the amount of the tax overpayment may be used to meet obligations not only for the payment of taxes and settlement of arrears, but for the payment of penalties and fines (Cl. 5 Art. 78 TC RF).**

**7. The right of the tax authority to suspend tax audits (in certain cases) was explicitly expressed (Cl. 9 Art. 89 TC RF).**

**8. Upon taking the decision, the tax authority is entitled to take security actions (Cl. 10 Art. 101 TC RF). These actions can be:**

- **prohibition of the taxpayer's property alienation without the tax authority's consent;**
- **suspension of operations on bank accounts according to rules in Art. 76 TC RF.**

**9. In Cl. 1.1. Art. 113 TC RF it is explicitly expressed that if the taxpayer in the course of the on-site tax audit denies the tax authority access to its sites or premises, then the running of limitation period for prosecution – three years – can be suspended.**

#### **On VAT**

**1. In Cl. 4 Art. 168 TC RF it is specified that it is necessary to indicate VAT in settlement documents, primary accounting documents and proforma invoices. On January 1, 2007, an addendum to this clause came into force; it was first introduced in Federal Law dd. 22.07.2005 No. 119-FZ. It is specified that VAT amount, presented to the purchaser of goods (works, services) and property rights, shall be payable by the purchaser under the payment order in the course of barter transactions, offsetting of accounts and in case of using securities for settlements.**

**Therefore, in closing barter deals and offsetting their accounts both parties are supposed not only to issue appropriate invoices stating the amount of VAT due but credit to the other party's account the required amount of money towards payment of this tax.**

### **2.5.5. Risks associated with the Issuer's activity**

#### **Legal actions and licensing**

**Changes in the existing legislation in the field of licensing will not affect NLMK's performance, and, most importantly, will not result in legal risks associated with the Issuer's activity.**

**There haven't been any changes in legal practice governing legal relations in the field of licensing, which could affect NLMK's business.**

**At the moment there are no legal actions, which could affect the Company's activities in the field of licensing.**

**There are no risks associated with prolongation of the Issuer's license for certain activities or utilization of objects, the utilization of which is restricted.**

## 2.5.6. Bank risks

*Such information is not provided as the Issuer is not a credit organization.*

### III. Detail information on the Issuer.

#### 3.1. Issuer's history and development.

##### 3.1.1. Information on the Issuer's company name.

Full name of the Issuer in Russian

*Открытое акционерное общество "Новолипецкий металлургический комбинат"*

Abbreviated name in Russian.

*ОАО "НЛМК"*

Full name of the Issuer in English

*Open Joint-Stock Company "Novolipetsk Steel"*

Abbreviated name in English.

*OJSC NLMK*

*The Company is entitled to use the trade marks "STINOL", "НЛМК" and "NLMK" registered in accordance with the Russian Law (information on trade mark registration is given in clause 4.4.).*

Information on changes in the Issuer's company name.

##### **1. The Yu.V. Andropov Novolipetsk Iron & Steel Works honored with the Lenin Order and the October Revolution Order**

**NLMK**

Introduced on: **14.03.1984**

Grounds for changes: **Decree of the Central Commission of the KPSS, Presidium of the Supreme Soviet of the USSR and Council of Ministers of the USSR "On perpetuation the memory of Yury V. Andropov".**

##### **2. Novolipetsk Iron & Steel Corporation**

**NLMK**

Introduced on: **28.01.1993**

Grounds for changes: **Decision of the Lipetsk Region State Property Management Commission No. 823 dd. December 31, 1992 "On reorganization of the Yu. V. Andropov Novolipetsk Iron & Steel Works into Novolipetsk Iron & Steel Corporation".**

##### **3. Current name was introduced on 12.08.1998**

Grounds for changes: **Decision made at Annual Shareholders' Meeting dd. August 1, 1998 (Minutes No. 9) on approval of the redrafted Company's Charter.**

##### 3.1.2. Information on state registration of the Issuer.

State registration number: **5-Г**

State registration date: **28.01.1993**

Registrar: **Administration of Levoberezhny district of the city of Lipetsk**

Legal entity's state registration number: **1024800823123**

Registration date: **09.07.2002**

Registrar: **Inspection of MNS of Russia in Central district of the city of Lipetsk**

### 3.1.3. Information on foundation and development of the Issuer.

**According to the RF Presidential Decree No. 721 dd. 01.07.1992 "On measures aimed at conversion of state enterprises, voluntary associations of state enterprises into joint stock companies" state enterprise The Yu. V. Andropov Novolipetsk Iron & Steel Works honored with the Lenin Order and the October Revolution Order was reorganized into Novolipetsk Iron & Steel Corporation by resolution of Lipetsk Region State Property Management Commission No. 823 dd. 31.12.1992. The Company was registered by Decree of Head of Levoberezhny district of the city of Lipetsk No. 50 dd. 28.01.1993.**

**The Company was established for the time being.**

**The purpose of enterprise privatization was to increase efficiency of national economy by transition from planned economy to market economy. In transition to market economy the following decisions were made by the Company:**

- on optimization of organizational structure and management system of production and auxiliary divisions;**
- on improvement of raw materials supply system, fuel procurement, product sales and marketing services;**
- on development and approval of Technical Upgrade and Development Program.**

**Today NLMK is a large state-of-the-art company with highly developed and coordinated production, the products of which are exported to dozens countries of the world.**

**NLMK's plans include steady increase of knowledge-intensive production, solution of various environmental problems at all upstream and downstream production stages, production of high-technology products which meet constantly growing demands of customers.**

### 3.1.4. Contact information.

The Issuer's domicile: **Russian Federation**

Domicile of the Issuer's executive body:

**2, pl. Metallurgov, Lipetsk 398040 Russia**

The Issuer's phone, fax numbers, E-mail, web-site:

Tel: **(4742)-445-010**

Fax: **(4742)-441-111**

E-mail: **info@nlmk.ru**

Web-site with information on the Issuer and its securities issued and/or being issued: **www.nlmk.ru**

Domicile of the Issuer's department dealing with shareholders and investors - **Equity Management Department: 2, pl. Metallurgov, Lipetsk 398040 Russia**

Tel: **(4742)-444-989**

Fax: **(4742)-442-255**

E-mail: **sp-uak@nlmk.ru**

Web-site: **www.nlmk.ru/investor\_centre/welcome\_investor/**

### 3.1.5. Taxpayer Identification Number.

**4823006703**

### 3.1.6. The Issuer's branches and representative offices.

1. Name: **Far East Branch "NLMK-DV"**

Domicile: **111, ul. Svetlanskaya, Vladivostok, Russia**

Date of opening: **1.08.1994**

Manager: **Igor N. Kostyukov**

Power of Attorney validity: **31.12.2007**

2. Name: **Representative office of OJSC "Novolipetsk Steel" in Moscow**

Domicile: **Bldg. B, 1/15, Kotelnicheskaya naberezhnaya, Moscow**

Date of opening: **28.02.2002**

Manager: **Anton A. Bazulev**

Power of Attorney validity: **31.12.2007**

3. Name: **Representative office of OJSC "Novolipetsk Steel" in Novokuznetsk**

Domicile: **133, ul. Kirova, Novokuznetsk, Russia**

Date of opening: **14.07.2004**

Manager: **Vasily I. Serdtsev**

Power of Attorney validity: **31.12.2007**

### 3.2. The Issuer's core activity.

#### 3.2.1. The Issuer's sectoral affiliation.

Codes of the Issuer's activities within the sector according to All-Russian Code of Foreign-Economic Activity (OKVED):

<b>Code</b>	<b>Description</b>
<b>27.17</b>	<b>Production of cold rolled steel flats without and with protective coatings</b>
<b>23.10</b>	<b>Production of coke</b>
<b>24.14.2</b>	<b>Production of other organic chemical products which are not included in any other group of products</b>
<b>24.15</b>	<b>Production of fertilizers and nitrogen compounds</b>
<b>27.11</b>	<b>Production of pig iron and blast furnace ferroalloys</b>
<b>27.14</b>	<b>Production of steel</b>
<b>27.15</b>	<b>Production of semi-finished products (slabs) for further rolling</b>
<b>27.16.2</b>	<b>Production of hot rolled steel flats</b>
<b>27.22</b>	<b>Production of steel pipes and fittings</b>
<b>27.33</b>	<b>Production of roll-formed steel sections</b>
<b>28.63</b>	<b>Manufacture of locks and hinges</b>
<b>28.71</b>	<b>Production of metal drums and similar reservoirs</b>
<b>29.51</b>	<b>Manufacture of machinery and equipment for iron and steel industry</b>
<b>31.62.9</b>	<b>Services rendered for erection, repair and maintenance of other electric equipment which is not included in any other group of products</b>
<b>34.30</b>	<b>Production of parts and components for cars and car motors</b>
<b>36.22.1.</b>	<b>Production of technical items with use of precious metals</b>
<b>37.10.1</b>	<b>Waste and ferrous scrap processing</b>
<b>40.10</b>	<b>Production, transmission and distribution of electric energy</b>
<b>40.10.5</b>	<b>Provision of electric mains serviceability</b>
<b>40.20.2</b>	<b>Distribution of gaseous fuel</b>



40.30	<i>Production, supply and distribution of steam and hot water (heat energy)</i>
45.21.1	<i>Civil works for buildings construction</i>
45.31	<i>Electric installation work</i>
51.70	<i>Other wholesale trade</i>
52.11	<i>Retail trade in non-specialized stores principally of foodstuffs, including beverages and tobacco products</i>
52.12	<i>Other retail trade in non-specialized stores</i>
52.31	<i>Retail trade of pharmaceutical products</i>
55.12	<i>Operation of hotels without restaurants</i>
55.51	<i>Operation of canteens located on territory of plants and institutions</i>
60.10.2	<i>Operation of industrial railroad transport</i>
60.23	<i>Operation of other inland passenger transportation</i>
60.24	<i>Operation of freight transportation by truck</i>
63.11	<i>Logistics of cargo</i>
63.12	<i>Storage and warehousing</i>
63.21.1	<i>Other auxiliary operation of railroad transport</i>
64.20.1	<i>Operation of telephone communications and document transmittal communications</i>
70.32.1	<i>Management of housing stock</i>
74.20.1	<i>Architectural activity, engineering in industry and construction</i>
74.20.3	<i>Land measuring and mapping</i>
74.60	<i>Investigations and security services</i>
80.22.22	<i>Training in advance training (extension) schools for specialists having secondary vocational education</i>
80.30.3	<i>Training in advance training (extension) schools for specialists having higher vocational education</i>
85.11	<i>Operation of patient care institutions</i>
85.11.2	<i>Operation of sanatorium-and-spa institutions</i>
85.13	<i>Dental practice</i>
85.20	<i>Veterinary activity</i>
92.13	<i>Movies demonstration</i>

### 3.2.2. The Issuer's core activity.

*The Issuer runs its business in the Russian Federation.*

*NLMK's core industrial activity is the production and sales of steel products. The Company is oriented at production of high-quality hot-rolled and cold-rolled flats. Moreover, the Company produces steel semi-finished products (slabs).*

*Profit share from such activity constitutes almost 100% of the total profit from sales of products, goods, services.*

*The percentage of proceeds from sales of steel products in the Company's total revenues\* amounted to:*

*in 2002 – 97.1%*

*in 2003 – 97.2%*

*in 2004 – 96.5%*

*in 2005 – 96.2%\*\**

*in 2006 – 96.7%*

*in Q1 2007 – 96,5%.*

*Proceeds from sales of steel products (F.No.2 p.011):*

*in 2002 – 51 755 539 thousand rubles, growth to 2001 – 44%,*

*in 2003 – 72 955 744 thousand rubles, growth to 2002 – 41%,*

*in 2004 – 121 721 093 thousand rubles, growth to 2003 – 67%,*

*in 2005 – 114 633 239 thousand rubles, decrease to 2004 – 6%,  
in 2006 – 135 725 763 thousand rubles, growth to 2005 – 18%,  
in QI 2007 – 35 233 591 thousand rubles.*

*Proceeds from sales of steel products in QI 2007 increased as compared to QI 2006 by 31%. Profit increase was mainly caused by higher prices for NLMK's products in QI 2007 as compared to QI 2006.*

*The Issuer's sales proceeds depend on the following factors: sales volumes and sales structure, current prices in sales markets, national currency exchange rate.*

*The impact of these factors is described in clause 4.1.2. of this quarterly report.*

*The Issuer's activity has slight seasonal nature related to decrease of steel products consumption in winter. However, the influence of this seasonal nature upon the Issuer's financial performance is not significant.*

Note:

\* - the share of the Issuer's proceeds from core activity in the total revenues is calculated according to the formula: p.011 f.2 / p.010 f.2.

\*\* The indicator was recalculated in connection with the changes in the Profit & Loss Statement for 2005, due to reclassification of income and expense from sales of in-house inventories as other income and expense.

#### **Overall cost structure of NLMK's output**

<b>Cost category</b>	<b>2006</b>	<b>QI 2007</b>
<i>Raw materials and materials, %</i>	<i>64,145</i>	<i>64,907</i>
<i>Purchased components and semi-finished products, %</i>	<i>0,102</i>	<i>0,938</i>
<i>Outsourcing, %</i>	<i>2,689</i>	<i>1,901</i>
<i>Fuel, %</i>	<i>7,910</i>	<i>7,117</i>
<i>Energy, %</i>	<i>4,067</i>	<i>4,445</i>
<i>Salaries and wages, %</i>	<i>7,181</i>	<i>7,692</i>
<i>Interest on credits, %</i>	<i>-</i>	<i>-</i>
<i>Rent, %</i>	<i>0,024</i>	<i>0,017</i>
<i>Social security tax, %</i>	<i>1,786</i>	<i>1,967</i>
<i>Fixed assets depreciation, %</i>	<i>2,732</i>	<i>2,478</i>
<i>Taxes included into the products cost value, %</i>	<i>0,670</i>	<i>0,441</i>
<i>Other costs, %</i>	<i>8,694</i>	<i>8,097</i>
<i>intangible assets depreciation, %</i>	<i>-</i>	<i>-</i>
<i>rewards for innovations, %</i>	<i>0,075</i>	<i>0,248</i>
<i>obligatory insurance payments, %</i>	<i>0,143</i>	<i>0,149</i>
<i>hospitality costs, %</i>	<i>0,003</i>	<i>0,002</i>
<i>other, %</i>	<i>8,473</i>	<i>7,698</i>
<i>Total: cost of products (works, services) production and sales, %</i>	<i>100</i>	<i>100</i>
<i>For reference: proceeds from sales of products (works, services), % to cost</i>	<i>166,7</i>	<i>143,4</i>

**Information on new significant types of products (works, services) as well as on their development is not available to the public for the purpose of maintaining the Issuer's competitive advantages.**

**The cost structure of NLMK's output was determined in accordance with Accounting Rule 10/99 "The company's expenses" (the RF Ministry of Finance Order Nr. 33H dd. 6.05.1999), guidelines on planning, formation and accounting of expenses for production and sales of products (works, services) of steelmaking enterprises, as well as accounting policy of NLMK for the purposes of accounting.**

### **3.2.3. Materials, goods (raw materials) and suppliers of the Issuer**

**In order to maintain its production processes, NLMK purchases the following raw materials: coal concentrate (coking grades), coke, iron ore, scrap, fluxes ferroalloys and non-ferrous metals.**

**Coal concentrate for the Company is supplied from Kuznetsky, Pechersky and Yuzhno-Yakutsky coal basins.**

**NLMK's demand for coke is satisfied by its in-house coke production (about 85%), the balance is purchased from OJSC "Altai-koks".**

**The main iron ore source is the ferruginous quartzites deposit of Kursk Magnetic Anomaly. Sinter ore and iron ore concentrate is supplied by NLMK's subsidiary - OJSC "Stoilensky GOK". The Company is fully self-sufficient in its supply of sintering ore and iron ore concentrate, NLMK purchases pellets in the domestic market, in particular from OJSC "Lebedinsky GOK".**

**The Company's scrap demand is satisfied mainly by suppliers in the RF central region.**

**NLMK's demand for fluxes is fully satisfied by its subsidiaries – OJSC "Stagdok" (Lipetsk) and OJSC "Dolomite" (Lipetsk region, Dankov).**

**The Company's demand for main types of manganese ferroalloys is mainly satisfied by OJSC "Zaporozhye Ferro Alloys Plant" (Ukraine), OJSC "Nikolsk Ferro Alloys Plant" as well as OJSC "Kosaya Gora Iron Works" (Russia).**

**Major non-ferrous metals used in steel-making process are aluminum and zinc. The demand for aluminum is satisfied by OJSC "Bratsk Aluminium Plant" (Russia, Irkutsk region) and OJSC "Krasnoyarsk Aluminium Plant", demand for secondary aluminum is satisfied by purchases from producers located in the Central Region of the Russian Federation. Zinc is supplied by OJSC "Chelyabinsk Zinc Plant", OJSC "Electrozinc"(Russia, Vladikavkaz) and OJSC "KazZinc" (Kazakhstan).**

**Suppliers of NLMK accounting for at least 10% of total supplies of raw & other materials:**

<b>Supplier</b>	<b>Address</b>	<b>Supplier's share in total supplies of raw &amp; other materials, %</b>	
		<b>2006</b>	<b>Q1 2007</b>
<b>LLC Trade House NLMK</b>	<b>Russian Federation, 109240, Moscow, Kotelnicheskaya naberezhnaya, Bid. 1/15 "B"</b>	<b>36,2</b>	<b>11,9</b>
<b>OJSC Stoilensky GOK</b>	<b>Russian Federation (mailing address: 309500, Belgorod region, Stary Oskol)</b>	<b>22,4</b>	<b>23,1</b>

**\* In 2006 OJSC Stoilensky GOK delivered its products through LLC Trade House NLMK.**

**The share of imports in total supplies of raw & other materials makes:**

- in 2006 - 0,03%;**

- in Q1 2007 – 0,03%.

*The Issuer plans to continue cooperating with the a/m suppliers, as they guarantee timely supplies of high-quality products. It is possible to cooperate with alternative suppliers of raw materials (incl. foreign ones) without any significant price increase, while maintaining the required qualitative characteristics.*

*Change in prices \* for main raw materials purchased by NLMK in Q1 2007 as compared to Q1 2006*

*RUR / t*

Type	Average prices in Q1 2006	Average prices in Q1 2007	Change, %
<i>Coal concentrate</i>	<i>2 612</i>	<i>2 986</i>	<i>14,3</i>
<i>Coke</i>	<i>4 803</i>	<i>5 446</i>	<i>13,4</i>
<i>Iron ore concentrate**</i>	<i>1 106</i>	<i>1 994</i>	<i>80,3</i>
<i>Scrap</i>	<i>4 804</i>	<i>5 808</i>	<i>20,9</i>
<i>Ferrosilicomanganese</i>	<i>23 007</i>	<i>28 949</i>	<i>25,8</i>
<i>Aluminium wire rod</i>	<i>79 615</i>	<i>90 226</i>	<i>13,3</i>
<i>Zinc</i>	<i>82 108</i>	<i>127 372</i>	<i>55,1</i>

\* - The prices incl. VAT and delivery.

\*\* - The prices incl. VAT, excl. railroad tariff.

### 3.2.4. Sales markets of the Issuer's products (works, services)

*NLMK is in the top three iron and steel companies of Russia and one of the biggest global steel producers.*

*Main consumers in the domestic market:*

- *construction and metal trade;*
- *automotive industry;*
- *pipng industry.*

*Major metal-consuming industries provide stable demand for the Company's products and demonstrate the upward consumption trend. Construction industry is on the upswing, it enables NLMK to increase its deliveries of steel flats, especially downstream products, galvanized and prepainted flats. Automotive industry is one of the major consumer of NLMK's high-quality steel flats. Along with the companies, which have found their niche in the Russian market (GAZ, PAZ) and have operated in this market in a stable way, the number of plants for assembly of foreign cars is on the increase, where insufficient quantity of Russian steel is used. Therefore, the market share of domestic producers, primarily, automotive producers, may decrease.*

*High demand for steel products resulting from dynamic development of the country's economy in the recent years has positive influence upon price trends in the domestic market.*

*Major destinations for NLMK's deliveries:*

- 1) EU countries;*
- 2) South-East Asia;*
- 3) Turkey and Middle East;*
- 4) North America;*
- 5) CIS.*

*The major share of the Company's exports is accounted for by slabs.*

*Currently the prices for steel are surging in the global market. However in the short term the prices may stabilize or even start decreasing. The Company's policy enables it to respond timely to the changes and to overcome cyclic downturns in the steel markets. The main*

**characteristics of NLMK's strategy in sales markets are the following: optimal combination of price and quality, efficient management, thorough analysis and consideration of consumers' needs for production organization, sectoral diversification and comprehensive sales geography. The strategy is based on stable long-term relations with our customers, due to stable product quality, competitive prices and timely deliveries.**

**Factors that may affect the Issuer's sales of products (works, services):**

**In the second half of 2007 the global prices for steel products may subside, following the upward movement in the beginning of the year. It will mainly result from market saturation, as well as development of production capacities in China.**

### **3.2.5. Information on the Issuer's licenses.**

Licenses:

Number: **ЛПЦ 07811 ВЭ**

Issue date: **17.08.2000**

Validity: **till 1.06.2010**

Licenser: **Lipetsk region natural resources committee**

Activity: **Draft of fresh underground water for the Company's production and potable water supply (Health center "Parus ")**

Possibility of license prolongation: **The license will be prolonged**

Number: **ЛПЦ 08883 ВЭ**

Issue date: **18.05.2001**

Validity: **till 1.01.2011**

Licenser: **Lipetsk region natural resources committee**

Activity: **Draft of fresh underground water for the production and potable water supply of an enterprise (Health Center "Prometey")**

Possibility of license prolongation: **The license will be prolonged**

Number: **00993 ЦО-03-209-3283**

Issue date: **4.10.2006**

Validity: **till 5.10.2011**

Licenser: **Central interregional territorial district of State nuclear inspectorate (Gosatomnadzor) of Russia**

Activity: **Operation of radiation sources (products containing radioactive substances)**

Possibility of license prolongation: **The license will be prolonged**

Number: **ГС-1-48-02-22-0-4823006703-000182-1**

Issue date: **8.05.2002**

Validity: **till 8.05.2007**

Licenser: **Lipetsk branch of the Federal Licensing Center under the State Construction Office (Gostroy) of Russia**

Activity: **Construction of buildings and structures of Responsibility levels I and II in accordance with the State standard**

Possibility of license prolongation: **The license will not be prolonged (a new license has been obtained)**

Number: **ГС-1-48-02-21-0-4823006703-000308-4**

Issue date: **29.08.2002**

Validity: **till 29.08.2007**

Licenser: **Lipetsk branch of the Federal Licensing Center under the State Construction Office**

**(Gosstroy) of Russia**

Activity: **Designing of buildings and structures of Responsibility levels I and II in accordance with the State standard**

Possibility of license prolongation: **The license will be prolonged**

Number: **ГC-1-48-02-27-0-4823006703-000390-1**

Issue date: **19.12.2002**

Validity: **till 8.05.2007**

Licenser: **Lipetsk branch of the Federal Licensing Center under the State Construction Office (Gosstroy) of Russia**

Activity: **Construction of buildings and structures of Responsibility levels I and II in accordance with the State standard**

Possibility of license prolongation: **The license will not be prolonged (a new license has been obtained)**

Number: **ГC-1-48-02-27-0-4823006703-002478-2**

Issue date: **19.03.2007**

Validity: **till 19.03.2012**

Licenser: **Rosstroy**

Activity: **Construction of buildings and structures of Responsibility levels I and II**

Possibility of license prolongation: **The license will be prolonged**

Number: **Д 314039 Registration No. 1**

Issue date: **7.10.2002**

Validity: **till 7.10.2007**

Licenser: **Pharmacy and medical equipment committee under Administration of the Lipetsk region**

Activity: **Pharmaceutical activity at NLMK's medical unit**

Possibility of license prolongation: **The license will be prolonged**

Number: **Д 314049 Registration No. 14**

Issue date: **19.12.2002**

Validity: **till 19.12.2007**

Licenser: **Pharmacy and medical equipment committee under Administration of the Lipetsk region**

Activity: **Activity related to circulation of drugs and psychotropic substances included in List II in accordance with the Federal Act "On drugs and psychotropic substances".**

Possibility of license prolongation: **The license will be prolonged**

Number: **Д 314014 Registration No.20**

Issue date: **30.12.2002**

Validity: **till 30.12.2007**

Licenser: **Health Department of the Lipetsk region Administration.**

Activity: **Medical activity in accordance with Appendix No. 1 and license copies issued at the location of geographically distant facilities (Appendices No. 2-34).**

Possibility of license prolongation: **The license will be prolonged**

Number: **004918 HBTГ No.00526-K**

Issue date: **18.04.2003**

Validity: **till 18.04.2008**

Licenser: **Federal Service of geodesy and cartography of Russia. Nizhnevolzhsk territorial inspection of geodesic inspectorate**

Activity: **Map-making activity**

Possibility of license prolongation: **The license will be prolonged**

Number: **004917 HBIГ No.00525-Г**  
Issue date: **18.04.2003**  
Validity: **till 18.04.2008**  
Licensor: **Federal Service of geodesy and cartography of Russia. Nizhnevolzhsk territorial inspection of geodesic inspectorate**  
Activity: **Geodesic activity**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Д 293036 Registration No.37**  
Issue date: **23.05.2003**  
Validity: **till 23.05.2008**  
Licensor: **Health Department of the Lipetsk region Administration**  
Activity: **Medical activity in the Health Center "Prometey". Address: Lipetsk, camp "Prometey".**  
Possibility of license prolongation: **The license will be prolonged**

Number: **ЛПЦ Registration No.54085 БЭ**  
Issue date: **20.05.2003**  
Validity: **till 1.03.2012**  
Licensor: **Lipetsk region natural resources committee**  
Activity: **Draft of fresh underground water for industrial purposes and potable water supply (the city of Lipetsk and village Borinskoye of the Lipetsk district, Lipetsk region, the RF)**  
Possibility of license prolongation: **The license will be prolonged**

Number: **МК No.002125 Registration No.585**  
Issue date: **11.06.2003**  
Validity: **till 11.06.2008**  
Licensor: **Ministry of Culture. The State department for cultural heritage protection in the Lipetsk region.**  
Activity: **Activity aimed at restoration of cultural heritage objects (historical and cultural monuments)**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Б 318290 Registration No.178**  
Issue date: **9.07.2003**  
Validity: **till 9.07.2008**  
Licensor: **Department of Federal security service in the Lipetsk region**  
Activity: **Operations with the use of State secret information**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Д 293062 Registration No.75**  
Issue date: **25.08.2003**  
Validity: **till 25.08.2008**  
Licensor: **Health Department of the Lipetsk region Administration**  
Activity: **Medical activity under Appendix No. 1 (Health Center "Parus")**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Д 382503 Registration No. 50012615**  
Issue date: **3.09.2003**  
Validity: **till 2.09.2008**  
Licensor: **Ministry of Energy of the Russian Federation.**

Activity: ***Electric mains operation (excluding the cases when this activity is performed for the own needs of a legal entity or an individual entrepreneur)***

Possibility of license prolongation: ***The license will not be prolonged (the activity is not subject to licensing)***

Number: ***Д 382502 Registration No. 60012614***

Issue date: ***3.09.2003***

Validity: ***till 2.09.2008***

Licenser: ***Ministry of Energy of the Russian Federation.***

Activity: ***Heat networks operation (excluding the cases when this activity is performed for the own needs of a legal entity or an individual entrepreneur)***

Possibility of license prolongation: ***The license will not be prolonged (the activity is not subject to licensing)***

Number: ***ГЦЭН No.002340 ГЦЭН.1.34.012***

Issue date: ***9.10.2003***

Validity: ***till 9.10.2008***

Licenser: ***Ministry of Health of the Russian Federation***

Activity: ***Use of infectious disease pathogens. Operations with microorganisms of the 3<sup>rd</sup> – 4<sup>th</sup> group of pathogenicity and helminths***

Possibility of license prolongation: ***The license will be prolonged***

Number: ***Д 411485 Registration No. 30014386***

Issue date: ***10.10.2003***

Validity: ***till 9.10.2008***

Licenser: ***Ministry of Energy of the Russian Federation***

Activity: ***Storage of oil, gas and products of their processing***

Possibility of license prolongation: ***The license will not be prolonged (the activity is not subject to licensing)***

Number: ***0008679 Registration No.2/04818***

Issue date: ***24.10.2003***

Validity: ***till 24.10.2008***

Licenser: ***Central Office of the State Fire Service under EMERCOM of the Russian Federation***

Activity: ***Erection, repair and servicing of devices which provide fire safety of buildings***

Possibility of license prolongation: ***The license will be prolonged***

Number: ***012545 Registration No. 48M03/0042/И***

Issue date: ***05.12.2003***

Validity: ***till 5.12.2008***

Licenser: ***Central Office of natural resources and environmental protection under the Ministry of Natural Resources of Russia in the Lipetsk region.***

Activity: ***Handling of dangerous wastes***

Possibility of license prolongation: ***The license will be prolonged***

Number: ***А 051220 Registration No. 523***

Issue date: ***10.12.2003***

Validity: ***till 10.12.2007***

Licenser: ***Department of Education and Science under the Administration of the Lipetsk region***

Activity: ***Educational activities in the area of secondary vocational training (dental technicians' training)***

Possibility of license prolongation: ***The license will be prolonged***



Number: **Д 475342 Registration No.592**  
Issue date: **16.11.2006**  
Validity: **till 16.11.2011**  
Licensor: **Consumer Market Department under the Administration of the Lipetsk region**  
Activity: **Retail sales of alcoholic spirits**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Д 413045 Registration No.30017363**  
Issue date: **23.12.2003**  
Validity: **till 22.12.2008**  
Licensor: **Ministry of Energy of the Russian Federation**  
Activity: **Storage of oil, gas and products of their processing**  
Possibility of license prolongation: **The license will not be prolonged (the activity is not subject to licensing)**

Number: **Б 013868 Registration No.00-ЭБ-002192**  
Issue date: **29.01.2004**  
Validity: **till 29.01.2009**  
Licensor: **Federal Inspectorate of Mining and Industry of Russia**  
Activity: **Operation of explosive production facilities**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Б 013818 Registration No. 00-ЭХ-002233**  
Issue date: **04.02.2004**  
Validity: **till 04.02.2009**  
Licensor: **Federal Inspectorate of Mining and Industry of Russia**  
Activity: **Operation of chemically dangerous production facilities**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Д №00397 Registration No. 001119-P**  
Issue date: **27.02.2004**  
Validity: **till 27.02.2009**  
Licensor: **State Standard (Gosstandart) of Russia**  
Activity: **Repair of measuring devices**  
Possibility of license prolongation: **The license will be prolonged**

Number: **А 0653 ИПД No. 02313**  
Issue date: **01.03.2004**  
Validity: **till 01.03.2009**  
Licensor: **Ministry of communications**  
Activity: **Railway handling**  
Possibility of license prolongation: **The license will be prolonged**

Number: **Д 339099 Registration No.135**  
Issue date: **17.03.2004**  
Validity: **till 17.03.2009**  
Licensor: **Pharmacy and Medical Equipment Committee under the Administration of the Lipetsk Region.**  
Activity: **Activity related to circulation of psychotropic agents in List III according to Federal Law "On drugs u psychotropic agents" under the extract from the Register to the license**

Possibility of license prolongation: ***The license will be prolonged***

Number: ***0012022 Registration No.3/00212***

Issue date: ***30.03.2004***

Validity: ***till 30.03.2009***

Licenser: ***Central Office of the State Fire Service under EMERCOM of the Russian Federation***

Activity: ***Operation of fire-hazardous facilities***

Possibility of license prolongation: ***The license will be prolonged.***

Number: ***0012485 Registration # 2/06892***

Issue date: ***30.03.2004***

Validity: ***till 30.03.2009***

Licenser: ***Central Office of the State Fire Service under EMERCOM of the Russian Federation***

Activity: ***Erection, repair and servicing of fire safety devices for buildings and structures***

Possibility of license prolongation: Possibility of license prolongation: ***The license will be prolonged***

Number: ***Д 235444 Registration No.28***

Issue date: ***13.05.2004***

Validity: ***till 13.05.2009***

Licenser: ***Consumer Market Department under the Administration of the Lipetsk Region***

Activity: ***Public demonstration of audio-visual pieces in cinemas of Health Center "Sukhoborye" and Health Center "Prometey" located at: village Sukhoborye, Lipetsk***

Possibility of license prolongation: ***The license will be prolonged***

Number: ***0160002030***

Issue date: ***09.06.2004***

Validity: ***till 09.06.2009***

Licenser: ***State Central Inspection of assay surveillance***

Activity: ***Production of technical items (production tools) with use of precious metals inclusive of platinum-ware in the order established by statutory acts of the Russian Federation***

Possibility of license prolongation: ***The license will be prolonged***

Number: ***Б 339904 Registration No.1423M***

Issue date: ***07.06.2004***

Validity: ***till 09.07.2008***

Licenser: Department of the ***Federal Security Service in the Lipetsk region***

Activity: ***Measures and services aimed at protection of State secret***

Possibility of license prolongation: ***The license will be prolonged***

Number: ***Д 235702 Registration No. 44***

Issue date: ***03.09.2004***

Validity: ***till 03.09.2009***

Licenser: ***Consumer Market Department under the Administration of the Lipetsk Region***

Activity: ***Procurement, preparation and sales of ferrous scrap at the address: 2, pl. Metallurgov, Lipetsk (territory of NLMK)***

Possibility of license prolongation: ***The license will be prolonged***

Number: ***А 013562 Registration No. 34-XB-001027(Г)***

Issue date: ***25.10.2004***

Validity: ***till 25.10.2009***

Licenser: ***Federal Ecologic, Technologic and Nuclear Supervision Service (Rostekhnadzor)***

Activity: **Storage of industrial explosives (handling, inspection test, packing, stock-taking, storing of industrial explosives and their testing during storage)**

Possibility of license prolongation: **The license will be prolonged**

Number: **MT No.006673 MKT- 48-113421**

Issue date: **25.01.2005**

Validity: **till 24.01.2009**

Licenser: **Lipetsk regional branch of the Russian Transport Inspection**

Activity: **Permit for cargo transportation by trucks**

Possibility of license prolongation: **The license will be prolonged**

Number: **MT No.006673 MKT- 48-113421**

Issue date: **25.01.2005**

Validity: **till 24.01.2009**

Licenser: **Lipetsk regional branch of the Russian Transport Inspection**

Activity: **Permit for cargo transportation by trucks**

Possibility of license prolongation: **The license will be prolonged**

Number: **MT No.008115 MKT-48-113422**

Issue date: **25.01.2005**

Validity: **till 24.01.2009**

Licenser: **Lipetsk regional branch of the Russian Transport Inspection**

Activity: **Permit for commercial international transportation of passengers by motor vehicles**

Possibility of license prolongation: **The license will be prolonged**

Number: **BA No.012044 JCC-48-113416**

Issue date: **11.01.2005**

Validity: **till 10.01.2010**

Licenser: **Lipetsk regional branch of the Russian Transport Inspection**

Activity: **Commercial transportation of passengers by motor vehicles**

Possibility of license prolongation: **The license will not be prolonged (the activity is not subject to licensing)**

Number: **BA No.012042 FCC-48-113414**

Issue date: **11.01.2005**

Validity: **till 10.01.2010**

Licenser: **Lipetsk regional branch of the Russian Transport Inspection**

Activity: **Cargo transportation by motor vehicles with the capacity over 3.5 tons**

Possibility of license prolongation: **The license will not be prolonged (the activity is not subject to licensing)**

Number: **BA No.012043 ACC-48-113415**

Issue date: **11.01.2005**

Validity: **till 10.01.2010**

Licenser: **Lipetsk regional branch of the Russian Transport Inspection**

Activity: **Transportation of passengers by motor vehicles equipped for more than 8 people**

Possibility of license prolongation: **The license will be prolonged**

Number: **A No.025805 IB-13-000003(B)**

Issue date: **24.02.2005**  
Validity: **till 23.02.2010**  
Licensor: **Federal service on environmental, technological and atomic supervision (Rostekhnadzor)**  
Activity: **Operations with industrial explosives**  
Possibility of license prolongation: **The license will be prolonged**

Number: **KEM Reg. No. 13269 ТЭ**  
Issue date: **30.08.2005**  
Validity: **till 20.08.2025**  
Licensor: **Ministry of Natural Resources of Russia, Federal agency of subsoil usage**  
Activity: **Right of subsoil usage (exploration and extraction of coal at Zhernovsky-1 area of Zhernovsky coal field)**  
Possibility of license prolongation: **The license will be prolonged**

Number: **77.99.15.002.И.001157.09.05**  
Issue date: **21.09.2005**  
Validity: **till 21.09.2010**  
Licensor: **Federal supervisory service for consumer protection and human welfare**  
Activity: **Usage of ionizing radiation (generating) sources in geographically isolated facilities**  
Possibility of license prolongation: **The license will be prolonged**

Number: **ТС 4801312 ДА 000802**  
Issue date: **08.02.2005**  
Validity: **till 08.02.2010**  
Licensor: **Federal transport supervisory service, Ministry of Transport of the Russian Federation**  
Activity: **Maintenance and repair of railway equipment**  
Possibility of license prolongation: **The license will be prolonged**

Number: **ПС 4801305 ДА 000801**  
Issue date: **08.02.2005**  
Validity: **till 08.02.2010**  
Licensor: **Federal transport supervisory service, Ministry of Transport of the Russian Federation**  
Activity: **Maintenance and repair of railway rolling stock**  
Possibility of license prolongation: **The license will not be prolonged (the activity is not subject to licensing)**

Number: **ПГ 4801314 ДА 000071**  
Issue date: **08.02.2005**  
Validity: **till 08.02.2010**  
Licensor: **Federal transport supervisory service, Ministry of Transport of the Russian Federation**  
Activity: **Transportation of goods by railway transport**  
Possibility of license prolongation: **The license will be prolonged**

Number: **P/2005/0069/100/И 1690034**  
Issue date: **09.11.2005**  
Validity: **till 09.11.2010**  
Licensor: **Federal service for hydrometeorology and environmental monitoring**  
Activity: **Activity in the field of hydrometeorology and related areas**  
Possibility of license prolongation: **The license will be prolonged**

Number: **ЛПЦ 00189 БРЭЗХ No.007163**  
Issue date: **30.11.2005**

Validity: **till 01.12.2008**

Licenser: **Donskoy basin administration under the Federal Water Resources Agency**

Activity: **Water consumption (industrial water consumption, waste water discharge, usage of river Voronezh waterways)**

Possibility of license prolongation: **The license will be prolonged**

Number: **ЛПЦ 00182 БОИВХ No.007183**

Issue date: **23.06.2006**

Validity: **till 01.07.2008**

Licenser: **Donskoy basin administration under the Federal Water Resources Agency**

Activity: **Water consumption (waste water discharge - Lebazhye lake)**

Possibility of license prolongation: **The license will be prolonged**

Number: **A 182699.№1413**

Issue date: **30.08.2006**

Validity: **till 30.08.2009**

Licenser: **Department of Education and Science under the Administration of the Lipetsk Region**

Activity: **Education**

Possibility of license prolongation: **The license will be prolonged**

### **3.2.6. Joint ventures of the Issuer.**

*At present there are no joint ventures established by NLMK and other companies.*

*As of 31.03.2007 Joint Venture Agreement No. 208 dd. 09.02.1994 with Scientific-technical enterprise "New machines and technologies" (P.O. Box 29/39 Dnepropetrovsk 320059) was in force. NLMK's Investments amounted to RUR 1,487,250.0. The investments are aimed at consortium establishment for construction and commissioning of a production sector for high-quality centrifugal rolls on the basis of Lutugin Rolls Production Association.*

*There is no information on the joint venture financial performance for 2006 and Q1 2007 due to failure of a partner to the joint venture to present its financial statements.*

### **3.2.7. Additional requirements to Issuers being stock investment funds, insurance or credit companies, mortgage agencies.**

*The information is not presented as the Issuer is not a stock investment fund, insurance company, credit company or a mortgage agency*

### **3.2.8. Additional requirements to Issuers, which specialize in mining operations.**

*The information on NLMK's subsidiaries and affiliated companies, which specialize in mining operations, is provided.*

#### **I. Studenovsk Joint Stock Mining Company (OJSC Stagdok)**

a) Mineral reserves:

*According to the obtained license, OJSC Stagdok has the right for Sitov area subsoil of Sokol-Sitov fluxed limestone field located in the Lipetsk region (3 km north of Lipetsk and 0.5 km west of village Voskresenovka of the Lipetsk region).*

*The license for subsoil use: series ЛПЦ No. 54036 ТЭ*

**Issue date: May 30, 2002.**

**Expiry date: 31.12.2028.**

**The basis for licensing:**

- **supplementary exploration and revaluation of reserves in the period of 1995-2000;**
- **change of field contour.**

**The subsoil area given for use has a mining lease status. The maximum depth of the area is +106 meters subject to mandatory preservation of protective pillar of 2 meters capacity above the groundwater level.**

**Sitov area of Sokol-Sitov field with limestone reserves of 200,901 thousand tons as of 01.01.2000, inclusive of 34,095 thousand tons of quality A, 166,806 thousand tons of quality C1, confirmed by (taking into account supplementary exploration and revaluation of the field) the Territorial Mining Reserves Commission (Minutes No. 51 dd. June 29, 2000).**

**In QI 2007 the limestone extraction volume amounted to 1102,4 thousand tons.**

**As of 01.04.2007 the reserve residue of Sitov area constitutes 171044.2 thousand tons, inclusive of 4238,2 thousand tons of quality A and 166,806 thousand tons of quality C1.**

**Within the given mining lease the company has the right for geological survey for conversion of limestone reserves from low industrial grades to high grades.**

**Main liabilities of the Company.**

**1. To extract limestone with observation of the following conditions:**

- **to define annual extraction volume of limestone on the basis of mining operations plan;**
- **to coordinate the plan of mining operations, norms for losses and impoverishment with State engineering supervision bodies on the annual basis.**

**State engineering supervision bodies on the annual basis.**

**2. To effect payments for subsoil use according to the existing norms:**

- **6% of the product selling price for the right to extract fluxed limestone;**
- **5.5% of the product selling price for the right to extract construction quality limestone.**

**The Company must make double payments for mineral loss infringement, effect tax and other mandatory payments to the budget in time and in full.**

**3. To present statistical reports under form 5-*zp* to the Federal Geological Administration "Geological Fund of the Central regions of Russia" by January 15 every year.**

**4. To present statistical reports under form 70-TII, 71-TII to bodies stated in these forms by January 25 every year.**

**5. In the course of the field use OJSC Stagdok must constantly monitor groundwater through the existing observation network.**

**The liabilities described in the license are fulfilled by the company in accordance with established procedure.**

b). Extraction and processing of minerals:

**Main facilities and equipment used for extraction and processing of fluxed limestone at Sokol-Sitov field are crushers and mills, shovels, BELAZ trucks, drilling rigs, bulldozers, diesel locomotives.**

c). Sales:

**Limestone from Sitov area can be used as raw material for the products conforming to the following requirements:**

- **TU 0750-005-00186855-97 "Limestone of industrial grade. Specifications";**
- **TU 0750-004-00186855-95 "Limestone of industrial grade extracted by Studenovsk Joint-Stock Company. Specifications".**

**Crushed limestone for construction, limestone of industrial grade are not covered by "Product mix subject to mandatory certification according to the Russian Law" approved by Decree No. 64 dd. 30.07.2002 of the RF State Standard (Gosstandart RF).**

## **II. Open Joint-Stock Company Dolomite (OJSC Dolomite)**

a) Mineral reserves:

*Under the obtained license, OJSC Dolomite has the right to use subsoil for dolomite extraction in Bigildin and Prikarjery areas of Dankov field.*

*Mineral resources are metallurgical dolomite, construction grade crushed rock and limestone (dolomite) flour.*

*As of 01.04.2007 the areas for which licenses were granted had 396 061 thousand tons of balance sheet reserves of dolomite, inclusive of 243 756 thousand tons in Bigildin area and 152 305 thousand tons in Prikarjery area. Dankov field contains (all areas) 664 538 thousand tons of dolomite balance sheet reserves in total.*

*In 2006 extraction volume amounted to 3,029 thousand tons.*

*Reserve evaluation method was approved by Protocol No. 873 dd. September 26, 2003 of the State Mineral Reserves Committee (GKZ).*

*License No. ЖИИЦ 54112 ТЭ for subsoil use was obtained by OJSC Dolomite for the purpose of dolomite extraction at Bigildin and Prikarjery areas of Dankov field in order to manufacture metallurgical raw materials and construction materials. Subsoil areas have the mining lease status.*

*The license was granted on: October 1, 2003.*

*Expiry date: 01.01.2029.*

*The basis for licensing was renewal of the valid license due to change of legal entity's (subsoil user's) name .*

*Validity of the licenses can be prolonged upon initiative of the subsoil user.*

*Allocated subsoil areas are located 3-7 km north-east of Dankov and railway station with the same name – Dankov UVJD, 95 km north-west of Lipetsk. The relief is relatively plain with ravine gully type network. The area of Bigildin area is 528 hectares, of Prikarjery one – 316 hectares, total area is 844 hectares. The areas are located on cropland that can be used for agricultural purposes. Minerals in the field are overlapped by argillaceous sand and off-grade carbonate deposits. The average capacity of stripping is 17.5 meters and one of productive strata– 23.0 meters. Dolomites are flooded down to 1 – 3 meters in the bottom part of the cut. The depth of exploitation is up to 40 meters.*

*Liabilities of the Company:*

*1. To pay tax on dolomite extraction for construction materials in the amount of 5.5% of the extracted mineral value;*

*2. To pay tax on dolomite extraction for metallurgical raw materials in the amount of 6.0% of the mineral value.*

*3. To effect double payments for mineral loss infringement.*

*4. To present a report under forms 5-ГР, 70-III, 71-III to controlling bodies on the annual basis.*

*5. To renew documents for the mining leases in areas under mining in Gostekhnadzor of the Russian Federation in Verkhne - Donskoy region before 01.05.2005.*

*6. To write off dolomite reserves accounted by the State in the field areas within the mining lease at the time of operations completion and perform complete reclamation of dislocated soils.*

*7. To prepare the annual mining development plan for the forthcoming year and to coordinate it with Gostekhnadzor of the Russian Federation in Verkhne-Donskoy region before December 15.*

*8. Two years prior to license expiry date a project of mining opening final liquidation and dislocated soil reclamation shall be developed and approved.*

*All the above liabilities are fulfilled within established deadlines.*

b) Mineral processing:

*Electric full-rotary excavators manufactured by UZTM of ЭКГ -5а and ЭКГ -4,6Б type with 5 m<sup>3</sup> and 4.6 m<sup>3</sup> bucket capacity respectively and max. digging height of 10.3 m which corresponds to height of common quarry face and stripping capacity are used for dolomite extraction in open-cut mine. Drill works are done by roller-bit drilling rig of СБШ – 250МН type. Borehole diameter is 250 mm at drilling depth of 10-12 meters. Ore is crushed by jaw crushers with simple movement of jaw of grade ШДП 3x12 and ШДП 15x21 with receiving hole of 900 mm x 1200 mm and 1500 mm x 2100 mm respectively and capacity of 180 m<sup>3</sup>/h and 550 m<sup>3</sup>/h respectively. The material is*

*additionally crushed in cone secondary crushers of КСД –1750ГР and КСД –2200ГР of 200 m<sup>3</sup>/h and 500 m<sup>3</sup>/h capacity respectively. Material is classified by fractions by vibrating screens of ГuИ, ГuС, ГuТ types.*

*Screened material is transported by belt conveyors of horizontal and inclined type with belt width of B 800 mm, B 1000 mm and B 1200 mm, of capacity which is correspondent to capacities of main production lines, i.e. jaw and cone crushers.*

c) Product sales:

*Permissions for dolomite products sales and export quotas allocated by the Federal Law are not provided for.*

### **III. Open Joint-Stock Company Stoilensky GOK (OJSC Stoilensky GOK)**

a) Mineral reserves:

*1) According to the obtained license, OJSC Stoilensky GOK has the right for quarry operation at the Stoilensk iron ore and nonmetallics field.*

*The field was explored by Belgorod geological surveillance expedition.*

*State Mineral Reserves Commission with the Ecology and Natural Resources Ministry of the Russian Federation approved the following reserves for quarry operations (500 meters to bedding rock) (Minutes No. 1, No. 2 dd. January 24, 1992):*

- high grade iron ore;*
- magnetite quartzite;*
- oxidized quartzite;*
- clay and loam;*
- chalk;*
- marl;*
- sand;*
- decayed slate;*
- crystalline slate;*
- quartzitic sandstone;*
- granite gneiss.*

*The balance sheet reserves remainder as of 01.04.2007:*

- high grade iron ore of category B+C1 – 55,730 thousand tons; of category C2 – 11,991 thousand tons;*
- magnetite quartzite of category B+C1 – 4,903,896 thousand tons; of category C2 – 1,563,565 thousand tons.*

*Extraction volume from the field excavation start till 01.04.2007 accounted for:*

- high grade iron ore – 106,529 thousand tons;*
- magnetite quartzite – 352,174 thousand tons.*

*Annual design capacity of the Company on high grade iron ore excavation is 1000 thousand tons, magnetite quartzite – 25440 thousand tons.*

*Stoilensky GOK was granted the license of series БЕИ №13030 ТЭ for subsoil usage – excavation of iron ore, ferruginous quartzite of Stoilensky field, as well as associated nonmetallics located in stripping and special dumps; the license was registered by Natural Resources Ministry of Russia under No. 3955 dd. 24.03.2005. Marketable products produced by iron ore processing are sintering ore and iron ore concentrate. Nonmetallic by-products and finished products from their processing are used in-house or in other companies.*

*Issue date of the license: March 24, 2005.*

*License expiry date: January 1, 2016. (Validity of the license can be prolonged upon initiative of the subsoil user as well as in other cases set forth in the Federal Act “On subsoils”).*

*The license was granted on the basis of application and licensing documents submitted by OJSC Stoilensky GOK.*



**Under terms and conditions of the license and within its validity, OJSC Stoilensky GOK shall:**

- effect payments for extraction of minerals and for the use of land lots;
- observe the rules of safe operation, environmental protection, mineral resources conservation, subsoil protection.

**Under special conditions of the license, OJSC Stoilensky GOK is liable to:**

- additionally coordinate payment terms or procedures for subsoil use with the issuing bodies - in case existing legislation changes;
- should any unknown mineral types and associated valuable components be found at the moment of license granting, the issuing bodies are entitled to call for state appraisal of geological materials and review the conditions of subsoil use;
- prepare reports on fulfillment of subsoil use conditions under this license for the previous year not later than on January 15 of the year following the reporting one;
- renew the license due to change of the company's name or status.

**The obligations stated in the license are fulfilled by the Company according to the established procedure.**

**2) Under license of series БЕЛ No. 50162 ВЭ, OJSC Stoilensky GOK is entitled to extract drainage groundwater in order to dewater the quarry of Stoilensk ferruginous quartzite field.**

**Issue date of the license: 13.01.2003.**

**License expiry date: 01.11.2012.**

**The license was granted on the basis of Application and licensing documents submitted by OJSC Stoilensky GOK.**

**Drainage groundwater reserves of Stoilensk field were approved according to Turonian Maastricht, Alb-senoman aquiferous stratum and Archean Proterozoic aquiferous complex in the amount of 79 thousand m<sup>3</sup>/day under category B (Minutes No. 3 GKZ dd. January 24, 1992)**

**Turonian Maastricht aquiferous stratum refers to top interstitial weathering zone of marl-chalk stratum with 60-90 meters capacity of the same age. The stratum is free-flow, static level is at 25-50 meters depth. The stratum around the quarry is fully drained.**

**Alb-senoman aquiferous stratum refers to medium sands of the same age located at 90-110 meters depth overlapped by sand-clay deposits of quaternary age and chalk – marl rocks. The stratum is free-flow, depth is 63-94 meters. Decrease of groundwater level in area of drained contour is 40-45 meters.**

**Archean Proterozoic aquiferous stratum of 150 m capacity refers to cracked area of crystalline rock, confining bed of which lies at the depth of 120-140 meters. Aquiferous stratum is under pressure, piezometric level is at the depth of 75-100 meters, the quarry is drained.**

**OJSC Stoilensky GOK drains groundwater through 140 draining rise wells and 12 filters drilled from ring-type horizontal quarry system of 28 km total length. Underground water intake includes 20 rise upward boreholes and mine drainage from shaft No. 3.**

**Mine drainage in QI 2007 on the whole accounted for 10 032 784 m<sup>3</sup>, including household and potable water 1 010 295 m<sup>3</sup>.**

**Area of water intake belongs to Don river basin.**

**The subsoil user is permitted to take groundwater continuously in order to drain the quarry with the decrease of groundwater level to the drainage working and in quantity providing for safe mining operations.**

**In the subsoil user's territory there is a network of observation wells by which the subsoil user monitors groundwater and studies hydrodynamic and hydrochemical conditions of groundwater in the affected zone.**

**According to the license terms and conditions OJSC Stoilensk GOK shall effect payments for the use of water bodies in accordance with the existing legislation of the Russian Federation, as well as legislative instruments and regulations of the Government and Administration of the Belgorod region.**

**The liabilities stated in the license are fulfilled by the Company according to the established procedure.**

#### **b) Minerals processing:**

**1. Main technologies used:**

The field is excavated, i.e. opened by a network of trenches. Excavation system includes external refuse disposal. Quarry depth is 345 meters. Loose deposits are being opened by rotor complex and cyclic excavators. Rock stripping, high grade ore and ferruginous quartzite are extracted by cyclic excavators with preliminary opening by drilling-and-blasting operations. Ore mass is taken out of the quarry by trucks, railway and conveyor belts.

**High grade ore processing includes three stages of crushing and screening with separation of sintering ore. Processing of ferruginous quartzite (magnetite) takes three stages of crushing with closed final stage, four stages of milling, magnetic separation, desliming, dehydration of concentrate in vacuum filters. Hydrotransportation of processing tailings is forced/gravity-flowing type. Water recycling is used.**

**2. The following equipment is used:**

**2.1. Mining operations:**

- drilling rigs СБШ –250 МНА-32;
- charge machine "Akvatol", МЗ-4;
- cyclic excavators ЭКГ-10, ЭКГ-10Р, ЭКГ-8И, ЭКГ-8УС, ЭКГ-4,6 (4У, 5У), ЭШ10/70, ЭШ6/45;
- rotor complex КУ-800.

**2.2. Transportation of mining mass:**

- dump trucks BELAZ 75131, 75191, 7555;
- electric locomotives ОПЭ-1, НП-1, locomotives ЧМЭ-3, ТЭМ-2, М-62;
- boxcars 2ВС-105;
- mobile conveyor in rotor complex КУ-800.

**2.3 Crushing and beneficiation equipment:**

- crushers – ШКД 2100/1500, ДМРиЭ 14,5/13, ККД 1500/180, КСД 3000Т, КМД 3000Т2-ДП, Hydrocone H8800 (SANDVIK) ;
- screens ГИСТ-72, ГИТ-52Н;
- classifiers 2КСН 3,0x17,2;
- mills МШЦУ5,5x65, МШЦ 5,5x6,5;
- separators ПБМ-П-120/300, ПБМ-ПП-150/200, ПБМ-ПП-120/300;
- deslimers МД-12;
- vacuum filters ДШ 100/2,5, ДТВО-100/2,58У, ДОО-100/2,5;
- pumps ГРК, ГРТ 1250/71, ГРК 1600/56,
- stationary, reverse, mobile belt conveyors.

в) Sales

**Finished products (sintering ore and iron ore concentrate) are sold on the basis of agreements concluded with customers.**

**No authorization of state bodies is required for the sales of these products.**

**3.2.9. Additional requirements to the Issuers whose core activity is communication services.**

**The information is not submitted due to the fact that the Issuer does not render communication services.**

**3.3. The Issuer's prospects.**

**In recent years NLMK has been one of the most efficient steelmakers in Russia and in the**

world.

*In accordance with the approved "Sustainable Development Strategy for 2007-2011", NLMK continues to strengthen its vertical integration aimed at self-sufficiency in main raw materials and, therefore, cost reduction.*

*The key element of NLMK's production strategy is a large-scale Technical Upgrade & Development Program, which was launched in 2000. In 2007 NLMK started implementing its 2<sup>nd</sup> stage (2007-2011), its basic parameters were approved by NLMK's Board of Directors in 2006. The program will be financed by cashflows from NLMK's core activity and existing funds.*

*The main objective of the Technical Upgrade & Development Program is a balanced growth of the Company at all stages of production chain. In line with the strategy chosen, the Company intends to make the best use of its main competitive advantage – low-cost production of high-quality steel. In this connection, NLMK's midterm plans involve slabs production ramp-up with further processing at rolling facilities, acquired in the key sales markets.*

*In the framework of all NLMK's investment projects, it intends to pay major attention to labor safety and industrial ecology.*

*In 2007 the Company will continue to optimize its control functions and intensify its business processes.*

### 3.4. The Issuer's share in industrial, banking and financial groups, holdings, concerns and associations.

*The Issuer does not have any share in industrial, bank and financial groups, holdings, concerns and associations.*

### 3.5. Subsidiaries and affiliated companies of the Issuer.

1. Full name: **Limited-Liability Company Lipetsk Insurance Company Chance**

Abbreviated name: **LLC LSO Chance**

Domicile: **30, ul. Nedelina, Lipetsk 398059 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **insurance activity.**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**The Board is not provided for by the Company Charter.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**Director – Elena I. Vlasova, year of birth – 1961, doesn't hold any share in the Issuer's equity.**

2. Full name: **Limited-Liability Company Steel**

Abbreviated name: **LLC Steel**

Domicile: **1, ul. Lenin, Uglich, Yaroslavl region 152620 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **supply of raw & other materials, scrap for iron and steel industry.**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**The Board is not provided for by the Company Charter.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**General Director – Oleg A. Schetnikov, year of birth – 1963, doesn't hold any share in the Issuer's equity.**

3. Full name: **Limited-Liability Company Novolipetskoye**

Abbreviated name: **LLC Novolipetskoye**

Domicile: **Village Tyushevka, Lipetsk region, 398052 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **production and processing of agricultural products.**

Importance for the Issuer: **insignificant influence.**

Information on the personal structure of the Company's Board:

**Chairman: Elena S. Meyer, year of birth – 1980, doesn't hold any share in the Issuer's equity.**

Members:

**1. Tatiyana V. Lyapina, year of birth – 1973,**

**share in the Issuer's equity:0.00017%**

**share in the Issuer's common stock: 0.00017%;**

**2. Valery A.Mamyshev , year of birth – 1941,**

**share in the Issuer's equity:0.00017%**

**share in the Issuer's common stock: 0.00017%**

**3. Alexander S. Posadnev, year of birth - 1982, doesn't hold any share in the Issuer's equity;**

**4. Grigory I. Putilin, year of birth - 1974, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**Director – Vladimir N. Semenov, year of birth – 1958, doesn't hold any share in the Issuer's equity.**

4. Full name: **Limited-Liability Company Karamyshevskoye**

Abbreviated name: **LLC Karamyshevskoye**

Domicile: **Village Karamyshevo, Gryazi district, Lipetsk region 399077 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the equity,**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **production and processing of agricultural products.**

Importance for the Issuer: **insignificant influence.**

Information on the personal structure of the Company's Board:

**Chairman: Alexey M. Postnikov, year of birth – 1980, doesn't hold any share in the Issuer's equity.**

Members:

**1. Olga D. Grechishkina, year of birth – 1964, doesn't hold any share in the Issuer's equity.**

**2. Elena S. Meyer, year of birth – 1980, doesn't hold any share in the Issuer's equity.**

**3. Alexander S. Posadnev, year of birth – 1982, doesn't hold any share in the Issuer's equity;**

**4. Viktoriya A. Kuryanova, year of birth – 1979, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**Director – Vladimir V. Yelizarov, year of birth – 1948, doesn't hold any share in the Issuer's equity.**

5. Full name: **Limited-Liability Company Trade House NLMK**

Abbreviated name: **LLC Trade House NLMK**

Domicile: **bldg. B, 1/15, Kotelnicheskaya naberezhnaya, Moscow 109240 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

**Core activity of the subsidiary:** domestic and export trading of ferrous and non-ferrous metals.

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Victor P. Kirilenko, year of birth – 1957, doesn't hold any share in the Issuer's equity**

**Members:**

**1. Dmitry A. Baranov, year of birth – 1968, doesn't hold any share in the Issuer's equity;**

**2. Galina A. Aglyamova, year of birth – 1961,  
share in the Issuer's equity: 0.00017%,  
share in the Issuer's common stock: 0.00017%;**

**3. Alexander I. Kravchenko, year of birth – 1955,  
share in the Issuer's equity: 0.00018%,  
share in the Issuer's common stock: 0.00018%;**

**4. Igor N. Anisimov year of birth – 1965,  
share in the Issuer's equity: 0.0017%,  
share in the Issuer's common stock: 0.0017%;**

**5. Alexander Y. Zarapin, year of birth – 1962, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**General Director – Maria A. Kovalenko, year of birth – 1976, doesn't hold any share in the Issuer's equity.**

6. Full name: **Limited Liability Company Vtorchermet NLMK**

Abbreviated name: **LLC Vtorchermet NLMK**

Domicile: **bldg. B, 1/15, Kotelnicheskaya naberezhnaya, Moscow 109240 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

**Core activity of the subsidiary:** purchasing, processing and selling of ferrous and non-ferrous scrap.

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Alexander Y. Zarapin, year of birth – 1962, doesn't hold any share in the Issuer's equity.**

**Members:**

**1. Irina V. Vetkina, year of birth – 1971, doesn't hold any share in the Issuer's equity;**

**2. Savely N. Shin, year of birth – 1953, doesn't hold any share in the Issuer's equity;**

**3. Maxim G. Ponomarev, year of birth – 1973, doesn't hold any share in the Issuer's equity;**

**4. Grigory I. Putilin, year of birth – 1974, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**Director General – Savely N. Shin, year of birth – 1953, doesn't hold any share in the Issuer's equity.**

7. Full name: **DanSteel A/S**

Domicile: **Havnevej 33, 3300 Frederiksvaerk Denmark**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The Issuer's in the subsidiary's common stock: **100 %**

The subsidiary's share in the Issuer's equity: **no**

**Core activity of the subsidiary:** production of steel products

Importance for the Issuer: **production of high value-added steel products**

Information on the personal structure of the Company's Board:

**Chairman: Petr D. Golitsyn, year of birth – 1955, doesn't hold any share in the Issuer's equity.**

**Members:**

**1. Igor G. Sarkits, year of birth – 1961, doesn't hold any share in the Issuer's equity;**

2. **Irina Volovick, year of birth – 1957, doesn't hold any share in the Issuer's equity;**
3. **Yuri A. Tarasov, year of birth – 1958, doesn't hold any share in the Issuer's equity;**
4. **Benny Mortensen, year of birth – 1974, doesn't hold any share in the Issuer's equity;**
5. **Paul Martin Valter, year of birth – 1956, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

General Director – **Igor G. Sarkits, year of birth – 1961, doesn't hold any share in the Issuer's equity.**

8. Full name: **Kuzbass Asset Holdings Limited**

Domicile: **Offices 41/42, Victoria House, 26, Main Street, Gibraltar**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the voting shares;**

The Issuer's share in subsidiary's equity: **100 %**

The Issuer's share of subsidiary's common stock: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **trading, commissioning, stock, broker and investment operations.**

Importance for the Issuer: **production process servicing.**

Information on the Company's single executive body:

**Director – Alexander Y. Zarapin, year of birth – 1962, doesn't hold any share in the Issuer's equity.**

9. Full name: **Limited Liability Company "Independent Transport Company"**

Abbreviated name: **LLC "NTK"**

Domicile: **32A, Leninsky prospect, Moscow 119991 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **cargo transportation and other forwarding services.**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Viktor P. Kirilenko, year of birth – 1957, doesn't hold any share in the Issuer's equity.**

**Members:**

**1. Oleg Yu. Bukin, year of birth – 1966, doesn't hold any share in the Issuer's equity;**

**2. Alexander I. Kravchenko, year of birth – 1955,**

**share in the Issuer's equity: 0.00018%,**

**share in the Issuer's common stock: 0.00018%;**

**3. Dmitry V. Mukhortov, year of birth – 1973, doesn't hold any share in the Issuer's equity;**

**4. Valery A. Loskutov, year of birth – 1969,**

**share in the Issuer's equity: 0.00012%,**

**share in the Issuer's common stock: 0.00012%.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**Director General - Oleg Yu. Bukin, year of birth – 1966, doesn't hold any share in the Issuer's equity.**

10. Full name: **Limited Liability Company VIZ-Stal**

Abbreviated name: **LLC VIZ-Stal**

Domicile: **28, yl. Kirova, Ekaterinburg 620219 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the equity;**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **production and sales of electrical steel**

Importance for the Issuer: **production of high value-added steel products.**

Information on the personal structure of the Company's Board:

**Chairman: Karen R. Sarkisov, year of birth - 1963, doesn't hold any share in the Issuer's equity.**

Members:

1. **Valery V. Schevelev, year of birth - 1967, doesn't hold any share in the Issuer's equity;**
2. **Mikhail B. Tsyrlin, year of birth - 1938, doesn't hold any share in the Issuer's equity;**
3. **Vadim V. Kharin, year of birth - 1968, doesn't hold any share in the Issuer's equity;**
4. **Alexander V. Kozlov, year of birth - 1967, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**Director General - Valery V. Schevelev, year of birth - 1967, doesn't hold any share in the Issuer's equity.**

11. Full name: **Subsidiary "Holiday Hotel Novolipetsky Metallurg" of Open Joint Stock Company "Novolipetsk Steel"**

Abbreviated name: **no**

Domicile: **25, per. Chekhov, village Morskoye, the city of Sudak, Crimea Autonomy, 334886 Ukraine**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **recreational activities, services for holiday-makers, treatment and health-improving services.**

Importance for the Issuer: **insignificant influence.**

Information on the personal structure of the Company's Board:

**The Board is not provided for by the Company Charter.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**Director – Svetlana V. Mineyeva, year of birth - 1971, doesn't hold any share in the Issuer's equity**

12. Full name: **NLMK International B.V.**

Domicile: **Netherlands, Amsterdam**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the equity**

The Issuer's share in subsidiary's equity: **100 %**

The Issuer's share of subsidiary's common stock: **100 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **holding company, holding of shares of the production and trading subsidiaries, management of subsidiaries, organization of their financing**

Importance for the Issuer: **management of NLMK's foreign assets**

Information on the personal structure of the Company's Board of Managing Directors:

Managing Directors:

1. **Galina A. Aglyamova, year of birth - 1961,**

**share in the Issuer's equity: 0.00017%,**

**share in the Issuer's common stock: 0.00017%;**

2. **Dmitry A. Baranov, year of birth 1968, doesn't hold any share in the Issuer's equity;**

3. **Alexey A. Lapshin, year of birth 1947, doesn't hold any share in the Issuer's equity;**

13. Полное фирменное наименование: **Общество с ограниченной ответственностью "Лармет"**

Сокращенное фирменное наименование: **ООО "Лармет"**

Место нахождения: **Россия, 121165, г. Москва, ул. Студенческая, д. 44/28**

Основания признания общества дочерним по отношению к эмитенту: **эмитент владеет более 50 процентами уставного капитала общества**

Доля эмитента в уставном капитале общества: **99.98 %**

Доля общества в уставном капитале эмитента: **не имеет**

Основной вид деятельности общества: **оптовая торговля металлом и металлопродукцией.**

Значение общества для эмитента: **обеспечение технологического процесса.**

Сведения о персональном составе Совета директоров коммерческой организации:

**Совет директоров не предусмотрен Уставом коммерческой организации.**

Сведения о персональном составе коллегиального исполнительного органа коммерческой организации:

**Коллегиальный исполнительный орган не предусмотрен Уставом коммерческой организации.**

Сведения о лице, осуществляющем функции единоличного исполнительного органа коммерческой организации:

**Генеральный директор - Лизогуб Павел Владимирович, 1966 года рождения, доли в уставном капитале эмитента не имеет.**

14. Full name: **Limited-Liability Company VIMET**

Abbreviated name: **LLC VIMET**

Domicile: **2, pl. Metallurgov, Lipetsk, 398040 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the equity;**

The Issuer's share in subsidiary's equity: **99.97 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **wholesale delivery of steel-making raw materials, wholesale delivery of steel products.**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**The Board is not provided for by the Company Charter.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**General Director – Viktor P. Kirilenko, year of birth – 1957, doesn't hold any share in the Issuer's equity.**

15. Full name: **Open Joint Stock Company Stoilensky GOK**

Abbreviated name: **OJSC Stoilensky GOK**

Domicile: **Russian Federation**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the Company's voting shares;**

The Issuer's share in subsidiary's equity: **96.98 %**

The Issuer's share of common stock of the subsidiary: **96.98 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **strip mining and dressing of ferrous and other ore.**

Importance for the Issuer: **significant influence, production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Alexander N. Saprykin, year of birth – 1967, doesn't hold any share in the Issuer's equity.**

Members:

**1. Galina A. Aglyamova, year of birth – 1961,**

**share in the Issuer's equity: 0.00017%,**

**share in the Issuer's common stock: 0.00017%;**

**2. Alexander Y. Gorshkov, year of birth – 1961, doesn't hold any share in the Issuer's equity;**

**3. Viktor P. Kirilenko, year of birth – 1957, doesn't hold any share in the Issuer's equity;**

**4. Alexander I. Kravchenko, year of birth – 1955,**

**share in the Issuer's equity: 0.00018%,**

**share in the Issuer's common stock: 0.00018%;**

**5. Denis E. Samsikov, year of birth – 1973, doesn't hold any share in the Issuer's equity;**

**6. Igor N. Anisimov, year of birth – 1965,**

**share in the Issuer's equity: 0.0017%,**

**share in the Issuer's common stock: 0.0017%;**

**7. Maxim G. Ponomarev, year of birth – 1973, doesn't hold any share in the Issuer's equity;**

**8. Vladimir K. Tomayev, year of birth – 1951, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:



**General Director – Alexander Y. Gorshkov, year of birth – 1961, doesn't hold any share in the Issuer's equity.**

16. Full name: **Open joint-stock company Altai-koks**

Abbreviated name: **OJSC Altai-koks**

Domicile: **Zarinsk, Altai krai 659107 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the company's voting shares**

The Issuer's share in subsidiary's equity: **93.64 %**

The Issuer's share of common stock of the subsidiary: **93.64 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **production and sales of coke and by-products.**

Importance for the Issuer: **significant influence, production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Alexander Yu. Zarapin, year of birth – 1962, doesn't hold any share in the Issuer's equity**

**Members:**

**1. Valery A. Loskutov, year of birth – 1969,**

**share in the Issuer's equity: 0.00012%,**

**share in the Issuer's common stock: 0.00012%;**

**2. Igor N. Anisimov, year of birth – 1965,**

**share in the Issuer's equity: 0.0017%,**

**share in the Issuer's common stock: 0.0017%;**

**3. Denis E. Samsikov, year of birth – 1973, doesn't hold any share in the Issuer's equity;**

**4. Vyacheslav P. Fyodorov, year of birth – 1966, doesn't hold any share in the Issuer's equity;**

**5. Evgeny A. Ovcharov, year of birth – 1977, doesn't hold any share in the Issuer's equity;**

**6. Evgeny N. Ponomarev, year of birth – 1966,**

**share in the Issuer's equity: 0.00005%,**

**share in the Issuer's common stock: 0.00005%;**

**7. Olga N. Sopova, year of birth – 1961, doesn't hold any share in the Issuer's equity;**

**8. Vadim V. Kharin, year of birth – 1968, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body (Management Board):

**1. Pavel V. Lizogub, year of birth – 1966, doesn't hold any share in the Issuer's equity;**

**2. Victor I. Pirogov, year of birth – 1951, doesn't hold any share in the Issuer's equity;**

**3. Evgeny N. Ponomarev, year of birth – 1966,**

**share in the Issuer's equity: 0.00005%,**

**share in the Issuer's common stock: 0.00005%;**

**4. Rudolf R. Kantsler, year of birth – 1952, doesn't hold any share in the Issuer's equity;**

**5. Vasily V. Kochkin, year of birth – 1948, doesn't hold any share in the Issuer's equity;**

**6. Gairat R. Mukushev, year of birth – 1961, doesn't hold any share in the Issuer's equity;**

**7. Victor Ya. Shtro, year of birth – 1953, doesn't hold any share in the Issuer's equity.**

Information on the Company's single executive body:

**General Director – Pavel V. Lizogub, year of birth – 1966, doesn't hold any share in the Issuer's equity.**

17. Full name: **Open Joint Stock Company Dolomite**

Abbreviated name: **OJSC Dolomite**

Domicile: **1, ul. Sverdlova, Dankov, Lipetsk region 399854 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of the company's voting shares;**

The Issuer's share in subsidiary's equity: **92.74 %**

The Issuer's share of common stock of the subsidiary: **92.74%**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **extraction and processing of dolomite.**

Importance for the Issuer: **significant influence, production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Alexander N. Saprykin, year of birth - 1967, doesn't hold any share in the Issuer's equity**

**Members:**

**1. Grigory I. Putilin, year of birth - 1974, doesn't hold any share in the Issuer's equity;**

2. **Konstantin V. Lashkevich, year of birth – 1977, doesn't hold any share in the Issuer's equity;**
3. **Valery A. Loskutov, year of birth – 1969,**  
**share in the Issuer's equity: 0.00012%,**  
**share in the Issuer's common stock: 0.00012%;**
4. **Gennady P. Uvarov, year of birth – 1952, doesn't hold any share in the Issuer's equity;**
5. **Fedor V. Korlykhanov, year of birth – 1936, doesn't hold any share in the Issuer's equity;**
6. **Albina V. Zhade, year of birth - 1969, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body (Management Board):

1. **Lyubov P. Bodunova, year of birth – 1955, doesn't hold any share in the Issuer's equity;**
2. Valery A. Vyalov, year of birth – 1957, doesn't hold any share in the Issuer's equity;

3. **Yury V. Kleymenov, year of birth – 1950, doesn't hold any share in the Issuer's equity;**
4. **Viktoriya N. Nikitina, year of birth – 1974, doesn't hold any share in the Issuer's equity;**
5. **Maria V. Pankova, year of birth – 1949, doesn't hold any share in the Issuer's equity.**

Information on the Company's single executive body:

**General Director – Valery A. Vyalov, year of birth – 1957, doesn't hold any share in the Issuer's equity.**

18. Full name: **Open Joint Stock Company Studenovsk Joint Stock Mining Company**

Abbreviated name: **OJSC Stagdok**

Domicile: **4, ul Gaidara, Lipetsk 398008 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the subsidiary's voting shares**

The Issuer's share in subsidiary's equity: **88.62 %**

The Issuer's share of common stock of the subsidiary: **88.62 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **production of flux limestone for steel-making process, production of industrial limestone for sugar industry, production of lime-bearing materials and crushed rock for construction and road works.**

Importance for the Issuer: **significant influence, production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Alexander N. Saprykin, year of birth - 1967, doesn't hold any share in the Issuer's equity**  
**Members:**

1. **Albina V. Zhade, year of birth - 1969, doesn't hold any share in the Issuer's equity;**
2. **Konstantin V. Lashkevich, year of birth – 1977, doesn't hold any share in the Issuer's equity;**
3. **Grigory I. Putilin, year of birth - 1974, doesn't hold any share in the Issuer's equity;**
4. **Valery A. Loskutov, year of birth – 1969,**  
**share in the Issuer's equity: 0.00012%,**  
**share in the Issuer's common stock: 0.00012%;**
5. **Sergey A. Matytsin, year of birth – 1971,**  
**share in the Issuer's equity: 0.00017%,**  
**share in the Issuer's common stock: 0.00017%;**
6. **Denis E. Samsikov, year of birth – 1973, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**General Director – Viktor S. Bondar, year of birth – 1941, doesn't hold any share in the Issuer's equity.**

19. Full name: **Limited-Liability Company Vtormetsnab NLMK**

Abbreviated name: **LLC Vtormetsnab NLMK**

Domicile: **2, pl. Metallurgov, Lipetsk 398040 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the subsidiary's voting shares**

The Issuer's share in subsidiary's equity: **70.00 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: storage, **processing and sales of ferrous scrap**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Alexander Y. Zarapin, year of birth – 1962, doesn't hold any share in the Issuer's equity.**

**Members:**

- 1. Sergey A. Matytsin, year of birth – 1971,  
share in the Issuer's equity: 0.00017%,  
share in the Issuer's common stock: 0.00017%;**
- 2. Grigory I. Putilin, year of birth – 1974, doesn't hold any share in the Issuer's equity;**
- 3. Vladimir A. Stasenko, year of birth – 1969, doesn't hold any share in the Issuer's equity;**
- 4. Igor A. Frolov, year of birth – 1967, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**General Director – Vladimir A. Stasenko, year of birth – 1969, doesn't hold any share in the Issuer's equity.**

20. Full name: **Open Joint Stock Company Tuapse Commercial Seaport**

Abbreviated name: **OJSC TMTP**

Domicile: **2, ul. Morskoy Boulevard, Tuapse, Krasnodarsky krai 352800 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of voting shares**

The Issuer's share in subsidiary's equity: **69.41 %**

The Issuer's share of common stock of the subsidiary: **69.41 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **cargo handling, servicing of national and foreign vessels.**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Nikolai A. Gagarin, year of birth – 1950, doesn't hold any share in the Issuer's equity.**

**Members:**

- 1. Vladimir N. Ampilogov, year of birth – 1950, doesn't hold any share in the Issuer's equity;**
- 2. Oleg Y. Bukin, year of birth – 1966, doesn't hold any share in the Issuer's equity;**
- 3. Alexander I. Kravchenko, year of birth – 1955,  
share in the Issuer's equity: 0.00018%,  
share in the Issuer's common stock: 0.00018%;**
- 4. Dmitry V. Mukhortov, year of birth – 1973, doesn't hold any share in the Issuer's equity;**
- 5. Alexander Yu. Sinenko, year of birth – 1971, doesn't hold any share in the Issuer's equity;**
- 6. Alexey S. Smolyansky, year of birth – 1974, doesn't hold any share in the Issuer's equity;**
- 7. Vyacheslav P. Fyodorov, year of birth – 1966, doesn't hold any share in the Issuer's equity;**
- 8. Sergey V. Chelyadin, year of birth – 1965, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body (the Management):

- 1. Sergey V. Kozlov, year of birth – 1963, doesn't hold any share in the Issuer's equity;**
- 2. Andrey M. Ivanov, year of birth – 1964, doesn't hold any share in the Issuer's equity;**
- 3. Sergey V. Naryshkin, year of birth – 1969, doesn't hold any share in the Issuer's equity;**
- 4. Fatima M. Nibo, year of birth – year of birth – 1960, doesn't hold any share in the Issuer's equity;**
- 5. Sergey A. Sinitsyn, year of birth – 1960, doesn't hold any share in the Issuer's equity;**
- 6. Yury A. Khilov, year of birth – 1948, doesn't hold any share in the Issuer's equity;**
- 7. Vitaly A. Chelokyan, year of birth – 1966, doesn't hold any share in the Issuer's equity.**

Information on the Company's single executive body:

**General Director – Sergey V. Kozlov, year of birth – 1963, doesn't hold any share in the Issuer's equity.**

21. Full name: **Open Joint-Stock Company North Oil and Gas Company**

Abbreviated name: **OJSC Severneftegas**

Domicile: **bldg. 1, 14, pl. Spartakovskaya, Moscow 105082 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50% of voting shares**

The Issuer's share in subsidiary's equity: **62.00 %**

The Issuer's share of common stock of the subsidiary: **62.00 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **exploration of oil and gas fields.**

Importance for the Issuer: **insignificant influence.**

Information on the personal structure of the Company's Board:

**Chairman: Dmitry V. Nikiforov, year of birth – 1963, doesn't hold any share in the Issuer's equity.**

Members:

- 1. Ivan F. Glumov, year of birth – 1936, doesn't hold any share in the Issuer's equity;**
- 2. Valery A. Loskutov, year of birth – 1969,  
share in the Issuer's equity: 0.00012%,  
share in the Issuer's common stock: 0.00012%;**
- 3. Grigory I. Putilin, year of birth – 1974, doesn't hold any share in the Issuer's equity;**
- 4. Alexander G. Vedernikov, year of birth – 1967, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

**The corporate executive body is not provided for by the Company Charter.**

Information on the Company's single executive body:

**General Director – Ivan F. Glumov, year of birth – 1936, doesn't hold any share in the Issuer's equity.**

22. Full name: **Open joint-stock bank of social development and construction Lipetskcombank**

Abbreviated name: **OJSC Lipetskcombank**

Domicile: **8, ul. Internatsionalnaya, Lipetsk, 398600 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 50 % of the subsidiary's voting shares**

The Issuer's share in subsidiary's equity: **50.08 %**

The Issuer's share of common stock of the subsidiary: **50.14 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **banking**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

**Chairman: Vyacheslav P. Fyodorov, year of birth – 1966, doesn't hold any share in the Issuer's equity.**

Members:

- 1. Valery A. Loskutov, year of birth – 1969,  
share in the Issuer's equity: 0.00012%,  
share in the Issuer's common stock: 0.00012%;**
- 2. Stanislav S. Paschenko, year of birth – 1970, doesn't hold any share in the Issuer's equity;**
- 3. Antonina M. Kopayeva, year of birth – 1949, doesn't hold any share in the Issuer's equity;**
- 4. Alexander I. Kravchenko, year of birth – 1955,  
share in the Issuer's equity: 0.00018%,  
share in the Issuer's common stock: 0.00018%;**
- 5. Evgeny P. Sulimov, year of birth – 1962,  
share in the Issuer's equity: 0,00023%,  
share in the Issuer's common stock: 0,00023%;**
- 6. Grigory I. Putilin, year of birth – 1974, doesn't hold any share in the Issuer's equity.**

Information on the staff of the Company's corporate executive body:

- 1. Svetlana Y. Zubenkova, year of birth – 1965, doesn't hold any share in the Issuer's equity.**
- 2. Galina A. Zurkanayeva, year of birth – 1957, doesn't hold any share in the Issuer's equity.**
- 3. Elena M. Ilyukhina, year of birth – 1960, doesn't hold any share in the Issuer's equity.**
- 4. Andrey I. Kornev, year of birth – 1966, doesn't hold any share in the Issuer's equity.**
- 5. Olga N. Mitrokhina, year of birth – 1973, doesn't hold any share in the Issuer's equity.**
- 6. Lyudmila A. Kharitonova, year of birth – 1974, doesn't hold any share in the Issuer's equity.**
- 7. Alexey A. Tereschuk, year of birth – 1975, doesn't hold any share in the Issuer's equity.**

Information on the Company's single executive body:

**General Director – Olga N. Mitrohina, year of birth – 1973, doesn't hold any share in the Issuer's equity.**

23. Full name: **Steel Invest & Finance (Luxembourg)S.A.**

Domicile: **12, rue Leon Thyges, L -2636 Luxembourg**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 20 % of the subsidiary's voting shares**

The Issuer's share in subsidiary's equity: **50%**

The Issuer's share in the subsidiary's common stock: **50 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: **holding company**

Importance for the Issuer: **expansion of high value-added products production**

Information on the personal structure of the Company's Board:

- 1. Alexey A. Lapshin, year of birth - 1947, doesn't hold any share in the Issuer's equity;**
- 2. Oleg V. Bagrin, year of birth - 1974, doesn't hold any share in the Issuer's equity;**
- 3. Benedict Sciortino, year of birth - 1950, doesn't hold any share in the Issuer's equity;**
- 4. Antonio Gozzi, year of birth - 1954, doesn't hold any share in the Issuer's equity;**

24. Full name: **Open Joint-Stock Company Lipetsky Gipromez**

Abbreviated name: **OJSC Lipetsky Gipromez**

Domicile: **1, ul. Kalinina, Lipetsk 398600 Russia**

The basis for recognition of affiliated company status with respect to the Issuer: **the Issuer holds over 20% of the company's voting shares**

The Issuer's share in affiliated company's equity: **44.01 %**

The Issuer's share of common stock of the affiliated: **44.01 %**

The affiliated company's share in the Issuer's equity: **no**

Core activity of the affiliated company: **development of design documentation.**

Importance for the Issuer: **production process servicing.**

Information on the personal structure of the Company's Board:

Chairman: **Gennady V. Ushakov, year of birth – 1937,**

**share in the Issuer's equity: 0.00017%**

**share in the Issuer's common stock: 0.00017%;**

Members:

**1. Valery G. Khaibullin, year of birth – 1951, doesn't hold any share in the Issuer's equity;**

**2. Alexey V. Barkov, year of birth – 1956,**

**share in the Issuer's equity: 0.00017%**

**share in the Issuer's common stock: 0.00017%.**

**3. Alexander P. Konshin, year of birth – 1954,**

**share in the Issuer's equity: 0.00008%,**

**share in the Issuer's common stock: 0.00008%;**

**4. Vitaly I. Tonkogolos, year of birth – 1958, doesn't hold any share in the Issuer's equity;**

**5. Larisa N. Sayenko, year of birth – 1949, doesn't hold any share in the Issuer's equity;**

**6. Anatoly V. Boldyrev, year of birth – 1961,**

**share in the Issuer's equity: 0.000017%,**

**share in the Issuer's common stock: 0.000017%.**

Information on the staff of the Company's corporate executive body:

**1. Irina P. Morkovina, year of birth – 1959, doesn't hold any share in the Issuer's equity;**

**2. Nikolai I. Nikolayev, year of birth – 1957, doesn't hold any share in the Issuer's equity;**

**3. Yury N. Medvedev, year of birth – 1941, doesn't hold any share in the Issuer's equity;**

**4. Pavel I. Bobylev, year of birth – 1965, doesn't hold any share in the Issuer's equity;**

**5. Nina P. Makarova, year of birth – 1953, doesn't hold any share in the Issuer's equity;**

**6. Vitaly I. Tonkogolos, year of birth – 1958, doesn't hold any share in the Issuer's equity;**

**7. Valery G. Haybullin, year of birth – 1951, doesn't hold any share in the Issuer's equity.**

Information on the Company's single executive body:

**General Director – Valery G. Haybullin, year of birth – 1951, doesn't hold any share in the Issuer's equity.**

25. Full name: **Limited-Liability Company Neptun**

Abbreviated name: **LLC Neptun**

Domicile: **office No. 35, 1-v, ul. Adm. Makarova, Lipetsk 398005 Russia**

The basis for recognition of subsidiary status with respect to the Issuer: **the Issuer holds over 20 % of the equity**

The Issuer's share in subsidiary's equity: **25 %**

The subsidiary's share in the Issuer's equity: **no**

Core activity of the subsidiary: ***sport facilities, medical activity, organization of festivals, concerts and other entertainment.***

Importance for the Issuer: ***insignificant influence.***

Information on the personal structure of the Company's Board:

***The Board is not provided for by the Company Charter.***

Information on the staff of the Company's corporate executive body:

***The corporate executive body is not provided for by the Company Charter.***

Information on the Company's single executive body:

***Director – Margarita G. Bekasova, year of birth – 1965, doesn't hold any share in the Issuer's equity.***

### 3.6. Composition, structure and value of the Issuer's fixed assets, information on plans of acquisition, change, retirement of fixed assets as well as on all events of the Issuer's fixed assets encumbrance.

#### 3.6.1. Fixed assets.

			<i>RUR</i>
<i>No.</i>	<i>Description of fixed assets group</i>	<i>Initial (replacement) value</i>	<i>Accrued amortization</i>
<b>As of 31.12.2006</b>			
1	Buildings	9862901706	4225596164
2	Structures	6886700503	4963323650
3	Machinery and equipment	24212820744	10929607728
4	Transport vehicles	1858723712	590672524
5	Industrial tools	102074364	49689723
6	Perennial plants	181948	179955
7	Plough cattle	37513	4486
8	Other fixed assets	93600560	57444868
9	Land lots	1051195229	0
<b>Total</b>		<b>44068236279</b>	<b>20816519098</b>
<b>As of 31.03.2007</b>			
1	Buildings	9871605440	4260545129
2	Structures	6773885790	4895231375
3	Machinery and equipment	24485681125	11393955055
4	Transport vehicles	1891130765	616434687
5	Industrial tools	104789582	52681915
6	Perennial plants	181948	180130
7	Plough cattle	37513	4486
8	Other fixed assets	95732481	61547845
9	Land lots	1051195229	0
<b>Total</b>		<b>44274239873</b>	<b>21280580622</b>

***Fixed assets depreciation is effected by accrual of amortized deductions by means of a straight-line method on the basis of assets book value and depreciation rates calculated on the basis of assets useful life. Useful life is determined taking into account the Classification approved by Decree No. 1 dd. 01.01.2002 of the RF Government by the commissions appointed by the decrees issued by heads of divisions.***

***On the fixed assets acquired in 2001 referred to the group of capital assets "Agricultural tractors" and "Agricultural machines and equipment" accrual of amortized deductions is effected by value write-off, based on the sum of years making up their useful life.***

***Accrual of amortized deductions is suspended if fixed assets are put to conservation for a***

**3-month term or longer upon the decision of the Company's General Director as well as during the period of assets reconstruction lasting for over 12 months.**

Results of fixed assets and leased fixed assets revaluation in the course of 5 previous completed financial years:

**The Issuer has not reevaluated its fixed assets in the course of 5 previous completed financial years.**

Plans on acquisition, replacement, retirement of fixed assets, the value of which constitutes 10 percent and more of the total assets value:

**In QII 2007 NLMK does not plan to acquire, purchase, replace or retire fixed assets, the value of which constitutes 10 percent and more of their total value.**

Information on fixed assets encumbrance as of the date of the reporting period end:

Encumbered assets: **fixed assets of NLMK (real estate, transport means, machinery and equipment, vehicles, agricultural machinery, furniture, office equipment, commercial equipment, sports equipment), original (replacement) cost of which amounts to 217 055 thousand rubles.**

Nature of encumbrance: **leased and handed over for free temporary use**

Date of encumbrance: **starting from the handover date**

Validity of charging: **up to one year under agreements**

Other terms of charging: **none.**

## IV. Information on the Issuer's financial performance.

### 4.1. Issuer's financial performance.

#### 4.1.1. Profit and loss.

Dynamics of indicators characterizing the Issuer's profitability/ unprofitability:

<i>Indicator</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>QI 2007</i>
<i>Revenues, thousand rubles</i>	<i>53 296 838</i>	<i>75 026 216</i>	<i>126 180 664</i>	<i>119 220 689*</i>	<i>140 301 567</i>	<i>36 526 665</i>
<i>Gross profit, thousand rubles</i>	<i>19 947 017</i>	<i>32 470 193</i>	<i>65 560 903</i>	<i>50 718 567*</i>	<i>65 347 852</i>	<i>14 084 426</i>
<i>Net profit (retained profit), thousand rubles</i>	<i>15 097 577</i>	<i>22 568 939</i>	<i>49 849 071</i>	<i>35 165 394</i>	<i>50 508 140</i>	<i>9 545 498</i>
<i>Return on equity**, %</i>	<i>40,4%</i>	<i>41,0%</i>	<i>58,5%</i>	<i>29,9%</i>	<i>34,9%</i>	<i>23,3%</i>
<i>Return on assets**, %</i>	<i>35,7%</i>	<i>37,4%</i>	<i>53,7%</i>	<i>27,8%</i>	<i>32,4%</i>	<i>21,7%</i>
<i>Net profitability ratio, %</i>	<i>28,3%</i>	<i>30,1%</i>	<i>39,5%</i>	<i>29,5%</i>	<i>36,0%</i>	<i>26,1%</i>

<b>Return on products (sales), %</b>	<b>35,7%</b>	<b>41,8%</b>	<b>49,5%</b>	<b>38,6%</b>	<b>39,8%</b>	<b>31,5%</b>
<b>Capital (net assets) turnover ratio, times per period</b>	<b>1,43</b>	<b>1,37</b>	<b>1,48</b>	<b>1,01*</b>	<b>0,97</b>	<b>0,22</b>
<b>Uncovered loss as of the reporting date, thousand rubles</b>	-	-	-	-	-	-
<b>Ratio of uncovered loss to the balance currency as of the reporting date</b>	-	-	-	-	-	-

Notes:

\* The indicators were recalculated in connection with the changes in the Profit & Loss Statement for 2005, due to reclassification of income and expense from sales of in-house inventories as other income and expense in 2006.

\*\*ROE and ROA are given on the basis of additional calculation up to annual values.

ROE = Net profits / Capital and reserves + deferred revenues).

For calculation of the a/m indicators the procedures recommended by the Regulations on Information Disclosure by Securities Issuers, approved by Decree of the Federal Financial Markets Service No. 06-117/n3-H dd. 10.10.2006

**Over the period of 2001-2004 the major financial and economic indicators of the Issuer improved: sales revenue and net profit increased.**

**The major positive factors which influenced the Company's financial performance were: sales increase and rising prices for main steel products due to favourable market conditions in the domestic and foreign markets. As a result, sales revenue grew as follows:**  
**in 2003 – 41% as compared to 2002,**  
**in 2004 – 68% as compared to 2003.**

**Over 2002-2004 prices were rising for main raw materials and fuel, railroad rates increased, as well as expenses associated with products sales. As a result, the cost of sales (taking into account commercial and management expenses) amounted to:**  
**in 2003 – 27,5% as compared to 2002,**  
**in 2004 – 46% as compared to 2003.**

**Increase of prices for finished products exceeded the growth rates of production costs, commercial and administrative expenses; it enabled the Company to increase its net profit:**  
**in 2003 – by 49% as compared to 2002 *годa*,**  
**in 2004 – by 2,2 times as compared to 2003 *годa*.**

**In 2005 the overall downturn in the global market affected the Company's performance. Sales revenues decreased by 5% as compared to 2004. At the same time, the Company's production costs and sales expenses (cost of sales with commercial and management expenses) increased by 15%. It predetermined the Issuer's financial performance: in 2005 the Company's net profit dwindled by 29% as compared to 2004.**

**In 2006 the increase of sales and prices for main steel products resulted in higher sales revenue – by 18% as compared to 2005. Meanwhile, the increase of sales costs (with commercial and management expenses) was not that drastic (+15% to the level of 2005). Moreover, in 2006 NLMK made additional profit due to the sale of shares; these shares were sold in the framework of assets optimization program. As a result, in 2006 the net profit amount grew by 44% as compared to 2005.**

**In QI 2007 the Company's sales revenue increased by 31% and gross profit – by 20%, as compared to QI 2006. Reduction of the net profit indicator for 3 months of 2007 (-37% as compared to QI 2006) is related to high level of other profits in QI 2006 (sales of shares of OJSC Lebedinsky GOK).**



#### Return on equity and total assets

Over the period from 2002 to 2004 the efficiency of the Company's assets utilization was on the increase, which is characterized by positive dynamics of ROE and ROA indicators. Sustainable growth of the Issuer's net profit was the main factor of ROE and ROA increase.

In 2005 as a result of net income decrease (-29%) as compared to 2004, ROE declined by 29,9%, ROA – by 27,8%.

In 2006 the Company's ROE and ROA indicators increased despite the growth of average assets and equity amounts. The Company's net profit growth (by 44% in 2006 as compared to 2005) was the main factor of ROE and ROA improvement.

In QI 2007 the Company's ROE and ROA indicators declined as compared to QI 2006. ROE amounted to 23,3% (43,8% in QI 2006), POA– 21,7% (41,3% QI 2006). Reduction of the Issuer's net profit was the main factor of this decline.

#### Return on sales and net profit ratio

Over the period from 2002 to 2004, the return on sales and net profit ratio indicators were growing as a result of substantial sales revenue increase, as well as keeping sales costs under control.

In 2005 relative to 2004 there was a reduction of sales revenue (-26%) and net profit (-29%) as a result of production and sales costs increase. Consequently, the Company's profitability indicators went down: return on sales – by 38,6%, net profit ratio – by 29,5%.

In 2006 the Issuer's profitability indicators improved as compared to 2005: return on sales – up to 39,8%, net profit ratio – up to 36,0%. The profit collected by the Company as a result of assets disposal was an additional factor of net profit ratio growth.

In QI 2007, as compared to QI 2006, the growth of sales costs (+43%), including commercial and management expenses, exceeded the increase of sales revenue (+31%). As a result, return on sales decreased from 37,3% € in QI 2006 down to 31,5% in QI 2007, net profit ratio – from 54,0% down to 26,1%. The high net profit ratio in QI 2006 can be accounted for by additional profit from sales of shares.

#### Capital (net assets) turnover ratio

Fluctuations of capital turnover ratio over the period 2002-2004 were insignificant.

In 2005 the Company's sales revenue decrease (-6% as compared to 2004) resulted in reduction of income per each item of allocated assets. Thus, in 2004 RUR 1,48 rubles of sales revenue accounted for one RUR of net assets, while in 2005 this indicator was RUR 1,01.

In 2006 there was a slight slowdown of the Issuer's capital turnover rate – down to 0,97 per year against 1,01 in 2005. It resulted from the fact that the growth of the Company's average assets value (+23%) exceeded the increase of sales revenue (+18%).

In QI 2007 the Issuer's net assets turnover ratio remained at the level of QI 2006.

4.1.2. Factors which influenced the Issuer's sales revenue and income (losses) from the Issuer's core operations.

Indicator	2002 vs. 2001	2003 vs. 2002	2004 vs. 2003	2005 vs. 2004	2006 vs. 2005	QI 2007 vs. QI 2006
Changes of sales revenue (decrease -, increase +)	43%	41%	68%	-6%*	18%	31%
Changes of profit on sales (decrease -, increase +)	€ 2 p.	65%	twice as much	-26%	21%	10%

Note: \* The indicator was recalculated in connection with the changes in the Profit & Loss Statement for 2005, due to reclassification of income and expense from sales of in-house inventories as other income and expense in 2006.

***In 2002 sales revenue increased by 43% as compared to the 2001 indicator.***

***Sales revenue increase was caused by the following factors:***

- growth of the average level of prices for the products sold (profound effect);***
- sales volumes increase (profound effect);***
- growth of US dollar exchange rate (profound effect);***
- sales structure change (medium effect).***

***In 2002 the cost of goods sold (including commercial and administrative expenses) increased by 18% as compared to the actual costs in 2001. Sales costs increase was mainly caused by the following factors: production volume increase and changes in the structure of steel products shipment; increase in absolute costs (change of construction in progress, salaries and wages, taxes and sales expenses); growth of prices for raw materials and utilities.***

***As a result of sales revenue growth surpassing the sales costs growth, in 2002 the Company's profit on sales was twice as much as in 2001.***

***In 2003 revenue from sales of products, works, services increased by 41% regarding the 2002 level.***

***Sales revenue increase was caused by the following factors:***

- growth of the average level of prices for the products sold (profound effect);***
- sales volume increase (profound effect).***

***At the same time, the revenue slightly decreased as a result of dwindling US dollar exchange rate (medium effect) and changes in the structure of the products sold (minor effect).***

***In 2003 the cost of goods sold (including commercial and administrative expenses) increased by 28% as compared to the level of 2002, which was caused by the following factors: growth of prices for raw materials and utilities, production and sales volumes increase, absolute costs increase (salaries and wages, insurance, taxes, sales costs).***

***As a result of sales revenue growth surpassing the sales costs increase, in 2003 the Company's profit on sales rose by 65% as compared to 2002.***

***In 2004 revenue from sales of products, works, services increased by 68% regarding the 2003 level.***

***Sales revenue increase was caused by the following factors:***

- growth of the average level of prices for the products sold (profound effect);***
- sales volume increase (medium effect).***

***Dollar exchange rate downward trend and change in the structure of products sold (minor effect) caused a slight decrease of revenue level.***

***In 2004 the cost of goods sold increased by 46% regarding 2003, which occurred under the influence of the following factors: growth of prices for raw materials and utilities, increase in operating expenses (taxes, change in production in progress, amortization), production volumes increase.***

***As a result, in 2004 the Company's profit on sales exceeded that of 2003 twofold.***

***In 2005 the overall global steel market downturn affected the Company's performance. Sales revenue decreased by 6% as compared to 2004, due to the following factors:***

- reduction in production and sales volumes (profound effect),***
- decrease of US dollar exchange rate (medium effect).***

***At the same time, higher prices for steel products in 2005 (medium influence) and changes in the structure of the products shipped (medium effect) facilitated the growth of sales revenue, but didn't compensate for its decrease.***

***The cost of goods sold (including commercial and management expenses) increased by***

15% as compared to 2004, due to increased prices for main metallurgical raw materials, materials and utilities, as well as increased operating expenses (salaries and wages, taxes, sales expenses).

Reduction in sales revenue in 2005 combined with the increase in the cost of goods sold resulted in profit on sales decrease by 26% as compared to the previous year.

In 2006 the sales revenue grew by 18% as compared to 2005.

Sales revenue increase was caused by the following factors:

- increase in production and sales volumes (profound effect);
- growth of average prices for the products sold (profound effect).

Dollar exchange rate downward trend (medium effect) and change in the structure of products sold (minor effect) caused a slight decrease of revenue level.

In 2006 the cost of goods sold grew by 15% as compared to 2005, mainly due to the increase in production and sales volumes, as well as increased operating expenses (sales expenses, salaries and wages, depreciation).

As a result, in 2006 the Company's profit on sales rose by 21% as compared to 2005.

In Q1 2007 the Company's revenue from sales of products, works, services increased by 31% as compared to Q1 2006.

Sales revenue increase was caused by the following factors:

- growth of average prices for the products sold (profound effect).
- sales volume increase (medium effect).

Dollar exchange rate downward trend (medium effect) and change in the structure of products sold (minor effect) caused a slight decrease of revenue level.

The cost of goods sold in Q1 2007 increased by 43% as compared to Q1 2006, mainly due to increased prices for main metallurgical raw & other materials, as well as increased operating expenses (salaries and wages, charges).

In Q1 2007 the Company's profit on sales rose by 10% as compared to Q1 2006.

#### 4.2. The Issuer's liquidity, adequacy of capital and current assets.

Indicator	as of 31.12.2002	as of 31.12.2003	as of 31.12.2004	as of 31.12.2005	as of 31.12.2006	as of 31.03.2007
Own current assets*, thousand rubles	23 429 120	43 161 505	53 299 940	69 493 909	33 867 436	40 852 760
Permanent assets index**	0,48	0,35	0,50	0,47	0,80	0,77
Current ratio (Cr)***	6,8	8,7	7,8	10,0	3,8	5,7
Quick ratio (Qr)****	5,1	7,0	6,1	8,0	2,2	3,5
Own funds autonomy factor	0,92	0,91	0,92	0,94	0,92	0,94

Note: in accordance with the financial analysis procedure, the indicators related to the amount of equity capital and short-term liabilities were adjusted (earlier the amount of equity capital included dividends payable, and the amount of short-term liabilities excluded dividends payable).

\* - own current assets = current assets – other current assets – long-term accounts receivable – short-term liabilities + deferred income + other short-terms liabilities.

\*\* - permanent assets index = (current assets + long-term accounts receivable) / (Capital and reserves + deferred income).

\*\*\* - Cr = (Current assets – long-term accounts receivable - other current assets) / (short-term liabilities – deferred income).

\*\*\*\* - Qr = (Current assets – long-term accounts receivable – other current assets – inventories) / (short-term liabilities – deferred income).

#### Own current assets

In 2003 in spite of the increase in the Company's short-term liabilities by 1.4 fold as

compared to the 2002 level the Issuer's own current assets increased by 1.8 fold. Own funds increase was brought about by the growth of equity capital, the major part of which was allocated to current assets financing. The amount of current assets increase by 1.8 fold as compared to 2002 (mainly at the expense of short-term financial investments, short-term accounts receivable and inventories).

In 2004 and 2005 the increase of equity capital due to retained profit predetermined the growth of NLMK's current assets: in 2004 – by 23,5% against 2003, in 2005 – by 30% against 2004.

In 2006 the Company's own current assets dwindled twofold against 2005, as in the course of 2006 NLMK actively implemented investment projects, which made it necessary to use surplus cash and its equivalents. As a result, the amount of the Company's current assets decreased by the end of 2006. Furthermore, as of 31.12.2006 the amount of short-term liabilities increased (in December NLMK obtained a short-term bank credit).

As of 31.03.2006 the Company's own current assets went up by 21% as compared to this indicator as of 31.12.2006. It was largely caused by the growth of the Company's equity capital allocated to the increase of current assets, as well as reduction of NLMK's short-term liabilities due to bank credit repayment.

#### Permanent assets factor

Permanent assets factors over 2002-2006 and Q1 2007 have been within the recommended value of Kip's permanent asset index  $\leq 0.9$ .

In 2003 the permanent assets factor went down to 0,35 regarding the level of 2002, which was caused by the significant increase of the Company's equity capital (by 1.5 fold) allocated mainly to financing of current assets.

In 2004 the factor value increased primarily due to long-term financial investments growth which was due to formation of a vertically integrated group.

This factor didn't change significantly in 2005.

In 2006, as a result of investment projects implementation by NLMK, the amount of long-term investments increased, which caused the increase of capital assets in 2006, and, consequently, the increase of this factor (up to 0,8) as compared to 2005.

In Q1 2007 the relation of capital assets to equity capital didn't change significantly.

#### Current ratio and quick ratio

Current ratio and quick ratio indices showed a rising tendency over 2002-2005. It was influenced by stable growth of the Issuer's equity capital, the major part of it was used for financing of the Company's current assets.

The level of these indicators over 2002-2005 was quite high, which is indicative of full coverage of the Issuer's short-term liabilities with current assets for running its business.

In 2006 the current ratio and quick ratio decreased as compared to 2005, which was caused by the reduction of surplus cash and short-term investments by the year-end. Nevertheless, these ratios correspond to recommended norms ( $Cr > 2$  and  $Qr > 1$ ). Furthermore, the quick ratio attests to the Company's ability to completely repay its short-term liabilities without sales of inventories.

In Q1 2007 the liquidity indicators improved, which was accounted for by the increase of the Company's short-term investments (deposits in rubles and in currency) and the decrease of short-term liabilities (as of 31.03.2007 the indebtedness under bank credit was repaid).

#### Own funds autonomy factor.

This factor stands for the equity capital share in the assets and characterizes the degree of the Issuer's financial independence from creditors. Over the period 2002-2005 and Q1 2007 this factor was at high level.

Stable profit, the main source of equity capital increase, facilitated a low degree of the Issuer's dependence on creditors, which is demonstrated by the dynamics of equity capital and total assets ratios.

### 4.3. Amount and structure of the Issuer's capital and current assets.

#### 4.3.1. Amount and structure of the Issuer's capital and current assets.

##### *Amount and structure of NLMK's capital*

*thousand rubles*

Capital and reserves	as of 31.12.2002		as of 31.12.2003		as of 31.12.2004		as of 31.12.2005		as of 31.12.2006	
	value	share	value	share	value	share	value	share	value	share
Chartered value	5 987 <sup>1</sup>	0,01%	5 987 <sup>2</sup>	0,01%	5 993 227 <sup>3</sup>	5,7%	5 993 227 <sup>4</sup>	4,6%	5 993 227 <sup>5</sup>	3,8%
Total value of the Issuer's shares bought out by the Issuer for resale (transfer)	0*	0,0%**	0*	0,0%**	0*	0,0%**	0*	0,0%**	0*	0,0%**
Capital reserves	898	0,002%	898	0,001%	299 661	0,3%	299 661	0,2%	299 661	0,2%
Paid-in capital	10 589 911	23,6%	10 463 984	16,1%	4 423 266	4,2%	4 358 869	3,4%	4 338 950	2,7%
Retained net profit	34 269 722	76,4%	54 666 335	83,9%	94 653 988	89,8%	119 095 970	91,8%	148 647 734	93,3%
Total capital *	44 866 518	100%	65 137 204	100%	105 370 142	100%	129 747 727	100%	159 279 572	100%

\* - nominal value of bought-out shares is indicated

\*\* - percentage of bought-out shares of Issuer's shares placed

\*\*\* - total as per section «Capital and reserves» of Balance Sheet (form No. 1)

*thousand rubles*

Capital and reserves	as of 31.03.2007	
	value	share
Chartered capital	5 993 227 <sup>5</sup>	3,5%
Total value of the Issuer's shares bought out by the Issuer for resale (transfer)	0*	0%**
Capital reserves	299 661	0,2%
Paid-in capital	4 299 979	2,5%
Retained net profit	158 232 835	93,7%
Total capital ***	168 825 702	100%

\* - nominal value of bought-out shares is stated

\*\* - percentage of bought-out shares of Issuer's shares placed

\*\*\* - total acc. to section "Capital and reserves" of Balance Sheet (form No. 1)

**1 - In line with NLMK's Charter approved by the General Shareholders' Meeting on June 28, 2002 (Minutes No. 16) registered by Registering Chamber with Administration of the city of Lipetsk on June 28, 2002;**

**2 - In line with NLMK's Charter approved by the General Shareholders' Meeting on June 27, 2003. (Minutes No. 17), registered by Inspection with Taxation Ministry of the RF in Levoberezhny district of the city of Lipetsk on July 16, 2003;**

**3 - In line with NLMK's Charter approved by the Extraordinary Shareholders' Meeting on December 3, 2004. (Minutes No. 20), registered by Inspection with Taxation Ministry of the RF in Levoberezhny district of the city of Lipetsk on December 9, 2004.**

<sup>4</sup> - In line with NLMK's Charter approved by the Extraordinary Shareholders' Meeting on December 3, 2004. (Minutes No. 20), registered by Inspection with Taxation Ministry of the RF in Levoberezhny district of the city of Lipetsk on December 9, 2004.

- with changes dd. May 20, 2005 (Minutes No. 21) approved by the General Shareholders' Meeting registered by Inspection with Taxation Ministry of the RF in Levoberezhny district of the city of Lipetsk on June 3, 2005.
- with changes dd. June 14, 2005 (Minutes No. 128) approved by the Board of Directors of NLMK registered by Inspection with Taxation Ministry of the RF in Levoberezhny district of the city of Lipetsk on July 1, 2005.

<sup>5</sup> - In line with NLMK's Charter approved by the General Shareholders' Meeting on June 6, 2006. (Minutes No. 24), registered by Inspection with Taxation Ministry of the RF in Levoberezhny district of the city of Lipetsk on June 9, 2006.

A sustainable growth of capital and reserves can be seen during the whole period.

Equity capital growth rates were the following: 51% in 2002, 45% in 2003, 62% in 2004, 23% in 2005, 23% in 2006. The Issuer's capital and reserves were increasing mainly at the expense of the Company's retained profit.

Paid-in capital share was decreasing with accumulated retained profit increase. As of 31.03.2007 the equity capital amount increased by 6% regarding the end of 2006.

### Structure of NLMK's total capital

thousand rubles

	as of 31.12. 2002		as of 31.12.2003		as of 31.12.2004		as of 31.12.2005		as of 31.12.2006	
	value	share	value	share	value	share	value	share	value	share
Capital and reserves	44 866 518	92%	65 137 204	91%	105 370 142	92%	129 747 727	94%	159 279 572	92%
Long-term liabilities	94 494	0,2%	715 988	1%	921 261	1%	1 191 598	1%	1 661 863	1%
Short-term borrowings	-	-	-	-	-	-	-	-	4 082 008	2%
Accounts payable	4 041 613	8%	5 631 996	8%	7 630 524	7%	7 715 782	6%	8 050 456	5%
Dividends payable	-	-	6 393	0,01%	182 602	0,2%	73 470	0,1%	112 675	0,1%
Other liabilities	9 000	0,02%	35 480	0,05%	20 348	0,02%	22 332	0,02%	23 566	0,01%
<b>Total:</b>	<b>49 011 625</b>	<b>100%</b>	<b>71 527 061</b>	<b>100%</b>	<b>114 124 877</b>	<b>100%</b>	<b>138 750 909</b>	<b>100%</b>	<b>173 210 140</b>	<b>100%</b>

thousand rubles

	as of 31.03. 2007	
	value	share
Capital and reserves	168 825 702	94%
Long-term liabilities	1 754 965	1,0%
Short-term borrowings	-	-
Accounts payable	8 610 284	4,8%
Dividends payable	99 535	0,1%
Other liabilities	23 198	0,01%
<b>Total:</b>	<b>179 313 684</b>	<b>100%</b>

### Amount and structure of NLMK's current assets

thousand rubles

Оборотные активы	as of 31.12.2002		as of 31.12.2003		as of 31.12.2004		as of 31.12.2005		as of 31.12.2006	
	value	share	value	share	value	share	value	share	value	share

<i>Inventories</i>	7 030 647	25,5%	9 436 895	19,3%	13 762 674	22,5%	15 177 790	19,6%	19 360 451	41,8%
<i>VAT on acquired valuables</i>	1 589 887	5,8%	1 761 105	3,6%	2 584 111	4,2%	2 387 494	3,1%	2 279 672	4,9%
<i>Accounts receivable (due in more than 1 year)</i>	119 511	0,4%	83 463	0,2%	86 573	0,1%	86 942	0,1%	143 217	0,3%
<i>Accounts receivable (due within 1 year)</i>	6 423 849	23,3%	9 238 663	18,9%	12 786 291	20,9%	15 894 395	20,5%	23 281 812	50,3%
<i>Short-term financial investments</i>	-	-	21 810 666	44,6%	29 389 712	48,0%	32 419 335	41,9%	331 655	0,7%
<i>Cash</i>	12 426 350	44,9%	6 552 565	13,4%	2 590 278	4,2%	11 382 710	14,7%	858 985	1,9%
<i>Other current assets</i>	16 545	0,1%	20 722	0,04%	17 722	0,03%	16 504	0,02%	17 869	0,04%
<b>Total*</b>	<b>27 606 789</b>	<b>100%</b>	<b>48 904 079</b>	<b>100%</b>	<b>61 217 361</b>	<b>100%</b>	<b>77 365 170</b>	<b>100%</b>	<b>46 273 661</b>	<b>100%</b>

\* - total acc. to section "Current assets" of Balance Sheet (form No. 1)

thousand rubles

Current assets	as of 31.03.2007	
	value	share
<i>Inventories</i>	19 440 713	39,1%
<i>VAT on acquired values</i>	2 194 715	4,4%
<i>Accounts receivable (due in more than 12 months)</i>	164 808	0,3%
<i>Accounts receivable (due within 12 months)</i>	23 320 264	46,9%
<i>Short-term financial investments</i>	4 244 553	8,5%
<i>Cash</i>	362 334	0,7%
<i>Other current assets</i>	18 288	0,04%
<b>TOTAL*</b>	<b>49 745 675</b>	<b>100%</b>

\* - total acc. to section "Current assets" of Balance Sheet (form No. 1)

### **The Issuer's policy in current assets financing**

**The Company's sustainable financial position offers strategic flexibility for development of its business. Stable generation of operating cash flows enables NLMK to finance current assets by its own funds, without significant borrowings.**

**On the basis of financial status analysis, NLMK selects only the most sustainable and stable credit organizations. For each of these organizations NLMK determines the limit of funds placement required for day-to-day operation as well as temporarily surplus funds.**

**Taking into account stable performance of the Company over a long period of time as well as high share of its own funds in the Company's capital (94% as of 31.03.2007), NLMK has a possibility to obtain significant financial resources upon competitive terms.**

#### 4.3.2. The Issuer's financial investments.

**NLMK's financial investments which account for 10% and more of all its financial investments as of 31.12.31.12.2006.**

##### **1. Financial investments in issue-grade securities:**

1.1 Type of securities: **common stock**

Full name of the Issuer: **Open joint-stock company Stoilensky GOK**

Abbreviated name of the Issuer: **OJSC Stoilensky GOK**

Domicile: **Russian Federation**

State registration number for securities issue: **1-01-00154-A**

Date of state registration of securities issue: **28.11.2003**

State registrar of securities issue: **Federal Financial Markets Service**

Quantity of securities owned by NLMK (pieces): **3 020 337**

Total par value of securities owned by NLMK (thousand rubles): **3 020.337**

Total book value of securities owned by NLMK (thousand rubles): **18 896 155**

Dividends on common stock in 2006 upon results of 2005 performance (per 1 share) (rubles): **223,48**

Repayment period: **July 25, 2006**

1.2. Type of securities: **common stock**

Full name of the Issuer: **Open joint-stock company Altai-koks**

Abbreviated name of the Issuer: **OJSC Altai-koks**

Domicile: **Russian Federation, 659107, Altai Territory, Zarinsk**

State registration number for securities issue: **1-01-10134-F**

Date of state registration of securities issue: **24.10.2003**

State registrar of securities issue: **Regional Branch of FFMS in Siberia federal district**

Quantity of securities owned by NLMK (pieces): **925 340 628**

Total par value of securities owned by NLMK (thousand rubles): **925 340,628**

Total book value of securities owned by NLMK (thousand rubles): **17 667 135**

Dividends on common stock in 2006 upon results of 2005 performance (per 1 share) (rubles): **The General Shareholders' Meeting of OJSC Altai-koks on May 16, 2006, passed the resolution not to pay dividends on the basis of the Company's performance in 2005.**

1.3. Type of securities: **common stock**

Full name of the Issuer: **Steel Invest & Finance (Luxembourg)S.A**

Domicile: **12, rue Leon Thyges, L -2636 Luxembourg**

Quantity of securities owned by NLMK (pieces): **1 701 047**

Total par value of securities owned by NLMK (euro): **85 052 350**

Total book value of securities owned by NLMK (thousand rubles): **21 208 723**

Dividends on common stock in 2006 upon results of 2005 performance (per 1 share): **NLMK owns the shares of Steel Invest & Finance (Luxembourg)S.A since 19.12.2006.**

##### **2. Other financial investments (the Issuer's interest in limited liability companies):**

2.1. Full name of the business entity the Issuer has an interest in: **Limited Liability Company VIZ-Stal**

Abbreviated name of the business entity: **LLC VIZ-Stal**

Domicile of the business entity: **Rusia, 620219, Ekaterinburg, ul.Kirova, 28**

INN (TIN) of the business entity: **6658084667**

Amount of interest in money terms:



Par value of NLMK's interest in the business entity (thousand rubles): **404 199, 51859**

Book value of NLMK's interest in the business entity (thousand rubles): **14 754 878**

Amount of interest as the percentage of the entity's chartered capital (the Issuer's interest in the business entity): **100%**

Level of income from the interest or the procedure of its determination, payout period: **NLMK, being the sole owner of LLC VIZ-Stal, takes the decision on distribution of the Company's net profit.**

**There are no other financial investments, including investments in non-issue-grade securities, as well as in deposits, amounting to 10 or more percent of all financial investments of NLMK as of 31.12.2007.**

**Financial investments of NLMK which in aggregate amount to 10% of more of all NLMK's financial investments as of 31.03.2007.**

### **1. Financial investments in issue-grade securities:**

1.1 Type of securities: **common stock**

Full name of the Issuer: **Open joint-stock company Stoilensky GOK**

Abbreviated name of the Issuer: **OJSC Stoilensky GOK**

Domicile: **Russian Federation**

State registration number for securities issue: **1-01-00154-A**

Date of state registration of securities issue: **28.11.2003**

State registrar of securities issue: **Federal Financial Markets Service**

Quantity of securities owned by NLMK (pieces): **3 020 337**

Total par value of securities owned by NLMK (thousand rubles): **3 020.337**

Total book value of securities owned by NLMK (thousand rubles): **18 896 155**

Dividends on common stock in 2006 upon results of 2005 performance (per 1 share) (rubles): **223,48**

Repayment period: **July 25, 2006**

1.2. Type of securities: **common stock**

Full name of the Issuer: **Open joint-stock company Altai-koks**

Abbreviated name of the Issuer: **OJSC Altai-koks**

Domicile: **Russian Federation, 659107, Altai Territory, Zarinsk**

State registration number for securities issue: **1-01-10134-F**

Date of state registration of securities issue: **24.10.2003**

State registrar of securities issue: **Regional Branch of FFMS in Siberia federal district**

Quantity of securities owned by NLMK (pieces): **925 340 628**

Total par value of securities owned by NLMK (thousand rubles): **925 340,628**

Total book value of securities owned by NLMK (thousand rubles): **17 667 135**

Dividends on common stock in 2006 upon results of 2005 performance (per 1 share) (rubles): **The General Shareholders' Meeting of OJSC Altai-koks on May 16, 2006, passed the resolution not to pay dividends on the basis of the Company's performance in 2005.**

1.3. Type of securities: **common stock**

Full name of the Issuer: **Steel Invest & Finance (Luxembourg)S.A**

Domicile: **12, rue Leon Thyès, L -2636 Luxembourg**

Quantity of securities owned by NLMK (pieces): **1 701 047**

Total par value of securities owned by NLMK (euro): **85 052 350**

Total book value of securities owned by NLMK (thousand rubles): **21 208 723**

Dividends on common stock in 2006 upon results of 2005 performance (per 1 share): **NLMK owns the shares of Steel Invest & Finance (Luxembourg)S.A since 19.12.2006.**

## 2. Other financial investments (the Issuer's interest in limited liability companies):

2.1. Full name of the business entity the Issuer has an interest in: **Limited Liability Company VIZ-Stal**

Abbreviated name of the business entity: **LLC VIZ-Stal**

Domicile of the business entity: **Rusia, 620219, Ekaterinburg, ul.Kirova, 28**

INN (TIN) of the business entity: **6658084667**

Amount of interest in money terms:

Par value of NLMK's interest in the business entity (thousand rubles): **404 199, 51859**

Book value of NLMK's interest in the business entity (thousand rubles): **14 754 878**

Amount of interest as the percentage of the entity's chartered capital (the Issuer's interest in the business entity): **100%**

Level of income from the interest or the procedure of its determination, payout period: **NLMK, being the sole owner of LLC VIZ-Stal, takes the decision on distribution of the Company's net profit.**

**There are no other financial investments, including investments in non-issue-grade securities, as well as in deposits, amounting to 10 or more percent of all financial investments of NLMK as of 31.12.2007.**

**Financial investments are accounted at NLMK according to Provision on accounting "Accounting of financial investments" RAS 19/02, approved by Order of the RF Ministry of Finance No. 126n dd. 10.12.2002 as well as by Provision on accounting policy of NLMK approved by Order of the Company No. 977 dd. 29.12.2006.**

### 4.3.3. Intangible assets of the Issuer.

**Provisional information on intangible assets, initial (replacement) value of intangible assets and accumulated depreciation as of 31.12.2006 and 31.03.2007.**

(rubles)

No	Description of intangible assets group	Initial (replacement) value	Accumulated depreciation
<b>As of 31.12.2006</b>			
1	Sole rights for PC applications and databases	10946880	10946880
2	Sole rights for inventions	4046184	801554
3	Sole rights for production prototypes	200000	200000
4	Sole rights for utility models	548640	445998
5	Sole rights for trade marks and service marks	276021	90616
6	Sole rights for artwork, science work, literature publications	39167	16816
7	Other rights	309032	309032
Total		16365924	12810896
<b>As of 31.03.2007</b>			
1	Sole rights for PC applications and databases	10866880	10866880
2	Sole rights for inventions	4002185	846103
3	Sole rights for production prototypes	200000	200000
4	Sole rights for utility models	503877	421628
5	Sole rights for trade marks and service marks	276021	99391
6	Sole rights for artwork, science work, literature publications	39167	17734
7	Other rights	309032	309032
Total		16197162	12760768

*There were neither intangible assets entered to chartered capital nor received free of charge.*

*Information on intangible assets of the Company is generated and reflected in the financial statements in conformity with the Provision on accounting "Accounting of intangible assets" RAS 14/2000, approved by Order of the RF Ministry of Finance No. 91n. dd. 16.10.2000, as well as Provision on accounting policy of NLMK approved by the Company's Order No. 977 dd. 29.12.2006.*

#### **4.4. Information on policy and expenses of the Issuer in the field of technological progress, licenses and patents, new developments and research.**

*The Issuer's policy in the field of technological progress has been governed by its quality management policy.*

*One of the policy guidelines is the acquisition of intellectual property rights by means of patent protection of new technical solutions developed at NLMK.*

*In QI 2007 five patents for inventions were obtained (the list of patents for inventions, certificates and utility models for the period 2002 – QI 2007 is presented in the table below).*

#### **List of patents for inventions and utility models obtained for the period 2002 – QI 2007.**

<b>No.</b>	<b>Description of an invention, utility model</b>	<b>Issue date</b>	<b>Validity of patent</b>
1.	<i>Method of rolls cooling of continuous four-high mill</i>	<i>10.01.2002</i>	<i>20 years</i>
2.	<i>Method of anisotropic electrical steel thermal treatment in bell-type furnace</i>	<i>10.01.2002</i>	<i>20 years</i>
3.	<i>Method of cold-rolled semi-finished electrical steel production</i>	<i>10.01.2002</i>	<i>20 years</i>
4.	<i>Device for slag control in converter</i>	<i>10.02.2002</i>	<i>20 years</i>
5.	<i>Method of blast furnace operation</i>	<i>27.02.2002</i>	<i>20 years</i>
6.	<i>Method of cold-rolled semi-finished electrical steel production</i>	<i>27.03.2002</i>	<i>20 years</i>
7.	<i>Gas meter</i>	<i>10.05.2002</i>	<i>20 years</i>
8.	<i>Method of work roll cooling for hot-rolling mill</i>	<i>10.06.2002</i>	<i>20 years</i>
9.	<i>Method of work rolls preparation for cold-rolling mill</i>	<i>10.06.2002</i>	<i>20 years</i>
10.	<i>Method of blast furnace hearth cleaning</i>	<i>10.06.2002</i>	<i>20 years</i>
11.	<i>Expansion joint for hot-blast mains</i>	<i>10.06.2002</i>	<i>20 years</i>
12.	<i>Method of blast furnace operation</i>	<i>27.06.2002</i>	<i>20 years</i>
13.	<i>Blast furnace technology</i>	<i>27.06.2002</i>	<i>20 years</i>
14.	<i>Method of anisotropic electrical steel coiled stock formation before annealing in bell-type furnace</i>	<i>27.06.2002</i>	<i>20 years</i>
15.	<i>Mold for electroslag hard-facing with relative mold displacement</i>	<i>27.06.2002</i>	<i>20 years</i>
16.	<i>Method of metric characterizations measurement in the dental implantation zone</i>	<i>20.07.2002</i>	<i>20 years</i>
17.	<i>Method of BOF steelmaking</i>	<i>20.07.2002</i>	<i>20 years</i>
18.	<i>Method of BOF steelmaking</i>	<i>20.07.2002</i>	<i>20 years</i>
19.	<i>Method of steel treatment in ladle</i>	<i>20.07.2002</i>	<i>20 years</i>
20.	<i>Blast furnace technology</i>	<i>27.07.2002</i>	<i>20 years</i>

21.	<i>Method of ironmaking</i>	27.07.2002	20 years
22.	<i>Method of slab heating in reheating furnace</i>	27.07.2002	20 years
23.	<i>Method of slab heating in reheating furnace</i>	27.07.2002	20 years
24.	<i>Method of furnace firing</i>	27.07.2002	20 years
25.	<i>Method of mold walls repair</i>	10.08.2002	20 years
26.	<i>Blast furnace technology</i>	10.08.2002	20 years
27.	<i>Method of ironmaking</i>	10.08.2002	20 years
28.	<i>Method of isotropic electrical steel production</i>	10.08.2002	20 years
29.	<i>Method of zinc recovery from zinc dross</i>	27.08.2002	20 years
30.	<i>Method of strip transportation along the run-out table of wide-strip hot-rolling mill</i>	20.09.2002	20 years
31.	<i>Method of zinc recovery from zinc waste products and apparatus for it</i>	20.09.2002	20 years
32.	<i>Device for automatic strip flatness control</i>	27.09.2002	20 years
33.	<i>Method of high-temperature annealing of anisotropic electrical steel with thickness 0.25 – 0.5 mm</i>	27.09.2002	20 years
34.	<i>Batch-type regenerative furnace</i>	27.09.2002	20 years
35.	<i>Method of strip cold-rolling in continuous multi-stand mill</i>	10.10.2002	20 years
36.	<i>Method of strip cold-rolling in continuous multi-stand mill</i>	10.10.2002	20 years
37.	<i>Method of blast furnace process</i>	10.10.2001	20 years
38.	<i>Method of ferrosilicomanganese production</i>	10.10.2002	20 years
39.	<i>Cold-rolled steel for complex parts forming</i>	10.10.2002	20 years
40.	<i>Steel for flats production</i>	10.10.2002	20 years
41.	<i>Accumulator for hot slabs</i>	27.10.2002	20 years
42.	<i>Accumulator for hot slabs</i>	27.10.2002	20 years
43.	<i>Rolling mill exit section</i>	10.12.2002	20 years
44.	<i>Method of parts hardening</i>	20.12.2002	20 years
45.	<i>Method of parts hardening</i>	20.12.2002	20 years
46.	<i>Method of thyristor control current growth</i>	10.01.2003	20 years
47.	<i>Method of phase control</i>	10.01.2003	20 years
48.	<i>Method of hydrocarbon gases recovery</i>	20.01.2003	20 years
49.	<i>Method of neutralization of wastes containing polyaromatic hydrocarbons</i>	20.01.2003	20 years
50.	<i>Device for charge drawing and loading it in cupola furnace</i>	20.01.2003	20 years
51.	<i>Method of roll operation</i>	27.01.2003	20 years
52.	<i>Method of roll operation</i>	27.01.2003	20 years
53.	<i>Method of hot-rolled strip descaling</i>	27.01.2003	20 years
54.	<i>Alloy for electroslag hard-facing of iron rolls</i>	27.01.2003	20 years
55.	<i>Direct-flow dust catcher</i>	20.02.2003	20 years
56.	<i>Compound for prevention of carbonate, sulphate, ferrate deposits</i>	20.02.2003	20 years
57.	<i>Method of blast furnace process</i>	20.02.2003	20 years
58.	<i>Method of blast furnace process control</i>	27.02.2003	20 years
59.	<i>Method of anisotropic electrical steel production</i>	27.02.2003	20 years
60.	<i>Method of cold-rolled electrical anisotropic steel production</i>	27.02.2003	20 years
61.	<i>Mixer blade</i>	10.03.2003	20 years

62.	<i>Continuous casting machine</i>	20.03.2003	20 years
63.	<i>Method of parts hardening</i>	10.04.2003	20 years
64.	<i>Method of disc knife manufacturing</i>	20.04.2003	20 years
65.	<i>Method of blast furnace process</i>	20.04.2003	20 years
66.	<i>Method of steel deoxidation and alloying</i>	20.04.2003	20 years
67.	<i>Operating procedure for four-high mill backup roll</i>	27.04.2003	20 years
68.	<i>Method of isotropic electrical steel production</i>	27.04.2003	20 years
69.	<i>Method of anisotropic electrical steel production</i>	10.05.2003	20 years
70.	<i>Mill roll</i>	20.05.2003	20 years
71.	<i>Method of initial roll gap determination during rolling stand setup</i>	20.05.2003	20 years
72.	<i>Method of cold-rolled strip production</i>	27.05.2003	20 years
73.	<i>Method of slab continuous casting by means of machines with curvilinear process centerline and machine applying this method</i>	20.06.2003	20 years
74.	<i>Method of blast furnace cleaning</i>	20.06.2003	20 years
75.	<i>Method of steel treatment in ladle</i>	20.06.2003	20 years
76.	<i>Method of control of thin-gage strip mechanical properties</i>	20.06.2003	20 years
77.	<i>Method of strip thickness control</i>	27.06.2003	20 years
78.	<i>Scale flushing chute</i>	27.06.2003	20 years
79.	<i>Beam of the continuous caster secondary cooling zone</i>	27.06.2003	20 years
80.	<i>Electrohydraulic treatment plant</i>	27.06.2003	20 years
81.	<i>Welding flux</i>	27.06.2003	20 years
82.	<i>Method of zinc white making</i>	27.06.2003	20 years
83.	<i>Roll for continuous annealing line</i>	27.06.2003	20 years
84.	<i>Compound for electric insulation coating</i>	27.06.2003	20 years
85.	<i>Method of flats production</i>	20.07.2003	20 years
86.	<i>Method of continuous hot-dip strip galvanizing</i>	10.08.2003	20 years
87.	<i>Method of strip production</i>	20.08.2003	20 years
88.	<i>Caking car of sinter machine</i>	20.08.2003	20 years
89.	<i>Device for strip flatness measurement and control during rolling</i>	27.08.2003	20 years
90.	<i>Method of cold-rolled isotropic electrical steel production</i>	27.08.2003	20 years
91.	<i>Method of hot-rolled strip descaling</i>	10.09.2003	20 years
92.	<i>Lining of thermal generating unit</i>	10.09.2003	20 years
93.	<i>Method of continuous cold rolling of strip in multi-stand rolling mill</i>	20.09.2003	20 years
94.	<i>Method of cold-rolled strip coiling</i>	20.09.2003	20 years
95.	<i>Method of parts hardening</i>	20.09.2003	20 years
96.	<i>Method of strip cold-rolling in continuous multi-stand rolling mill</i>	27.09.2003	20 years
97.	<i>Method of strip cold-rolling in continuous multi-stand rolling mill</i>	27.09.2003	20 years
98.	<i>Continuous caster with curvilinear process centerline</i>	27.09.2003	20 years
99.	<i>Method of preparation and operation of rolls for 4-high stand</i>	10.10.2003	20 years

100	<i>Mold operating procedure</i>	27.10.2003	20 years
101	<i>Casting powder</i>	27.10.2003	20 years
102	<i>Casting powder</i>	27.10.2003	20 years
103	<i>Casting powder</i>	27.10.2003	20 years
104	<i>Refractory castable</i>	27.10.2003	20 years
105	<i>Method of blast furnace slag treatment</i>	27.10.2003	20 years
106	<i>Method of blast furnace tuyere preparation</i>	27.10.2003	20 years
107	<i>facility for RH degassing of steel</i>	27.10.2003	20 years
108	<i>Method of isotropic electrical steel production</i>	10.11.2003	20 years
109	<i>Method of flats production</i>	10.11.2003	20 years
110	<i>Strip steel coils banding unit</i>	20.11.2003	20 years
111	<i>Method of blast furnace blowing-in</i>	20.11.2003	20 years
112	<i>Method of strip cold-rolling</i>	27.11.2003	20 years
113	<i>Method of isotropic electrical steel production</i>	27.11.2003	20 years
114	<i>Ladle lining heating station</i>	10.12.2003	20 years
115	<i>Mold for slab continuous casting machines</i>	10.12.2003	20 years
116	<i>Roll for continuous casting machines</i>	10.12.2003	20 years
117	<i>Hoisting electromagnet control device</i>	20.12.2003	20 years
118	<i>Method of isotropic electrical steel production</i>	20.12.2003	20 years
119	<i>Method of hot-rolled strip pickling</i>	20.12.2003	20 years
120	<i>Current stabilizer</i>	20.12.2003	20 years
121	<i>Roll for continuous casting machine</i>	27.12.2003	20 years
122	<i>Method of isotropic electrical steel production</i>	27.12.2003	20 years
123	<i>Ladle lining heating station</i>	10.01.2004	20 years
124	<i>Method of blast furnace blowing-in</i>	10.01.2004	20 years
125	<i>Voltage suppressor for lighting networks</i>	10.01.2004	20 years
126	<i>Method of blast furnace hearth lining protection</i>	20.01.2004	20 years

127 .	<i>Method of electrical steel strip production</i>	20.01.2004	20 years
128 .	<i>Method of sinter production with different basicity on the basis of iron-bearing metallurgical waste</i>	20.01.2004	20 years
129 .	<i>Method of strip coating application</i>	27.01.2004	20 years
130 .	<i>Blast furnace tuyere</i>	27.01.2004	20 years
131 .	<i>Method of continuous casting</i>	10.02.2004	20 years
132 .	<i>Method of isotropic electrical steel production</i>	10.02.2004	20 years
133 .	<i>Method of isotropic electrical steel production</i>	10.02.2004	20 years
134 .	<i>Method of hot-rolled strip production</i>	20.02.2004	20 years
135 .	<i>Method of hot-rolled transfer bar production for further cold rolling of anisotropic electrical steel strip</i>	20.02.2004	20 years
136 .	<i>Method of anisotropic electrical thin-gage strip production</i>	20.02.2004	20 years
137 .	<i>Method of strip cold rolling in multi-stand rolling mill</i>	10.03.2004	20 years
138 .	<i>Method of 4-high stand rolls preparation</i>	27.03.2004	20 years
139 .	<i>Method of sinter caking</i>	10.05.2004	20 years
140 .	<i>Method of cold-rolled isotropic electrical steel production</i>	10.05.2004	20 years
141 .	<i>Blast furnace tuyere cooler</i>	27.05.2004	20 years
142 .	<i>Ladle cover</i>	27.05.2004	20 years
143 .	<i>Anisotropic electrical steel</i>	10.05.2004	20 years
144 .	<i>Method of current duplication in six-phase rectification circuit</i>	10.06.2004	20 years
145 .	<i>Device for liquid steel flow protection during continuous casting</i>	10.06.2004	20 years
146 .	<i>Through-type continuous annealing furnace</i>	10.06.2004	20 years
147 .	<i>Operating procedure for rolls of skinpassing stand quarto</i>	27.06.2004	20 years
148 .	<i>Method and device for roll wear measurement</i>	27.06.2004	20 years
149 .	<i>Convector ring for batch annealing of cold-rolled steel strip</i>	20.06.2004	20 years
150 .	<i>Method of pressure equalization in blast furnace top charging system</i>	20.06.2004	20 years
151 .	<i>Aluminosilicate concrete mix</i>	20.06.2004	20 years
152 .	<i>Method of isotropic electrical steel production</i>	20.06.2004	20 years

153	<i>Anisotropic electrical steel</i>	20.06.2004	20 years
154	<i>Method of cold rolled strip annealing</i>	20.06.2004	20 years
155	<i>Method and device for control of torque motor of sintering belt electric drive</i>	10.07.2004	20 years
156	<i>Method of blast furnace gas treatment in case of high gas pressure at furnace top</i>	20.07.2004	20 years
157	<i>Oiling machine</i>	10.08.2004	20 years
158	<i>Method of thin-gage anisotropic electrical steel production</i>	10.08.2004	20 years
159	<i>Cooling plates for metallurgical furnaces</i>	27.08.2004	20 years
160	<i>Method of blast furnace blow-in</i>	10.09.2004	20 years
161	<i>Method of coiled strip production</i>	27.09.2004	20 years
162	<i>Method of slabs charging and heating in reheating furnaces at hot-rolling mills</i>	27.09.2004	20 years
163	<i>Method of cleaning carbonate deposit off the water-cooled roll internal face</i>	10.10.2004	20 years
164	<i>Method of cold-rolled annealed strip decoiling in cutting lines</i>	10.10.2004	20 years
165	<i>Briquettes as a component of BF burden</i>	10.10.2004	20 years
166	<i>Method of blast furnace process</i>	10.10.2004	20 years
167	<i>Method of blast furnace charging</i>	10.10.2004	20 years
168	<i>Method of temperature control across the slab cross-section during heating</i>	10.10.2004	20 years
169	<i>Method of blast furnace hearth cleaning</i>	20.10.2004	20 years
170	<i>Method of blast furnace process</i>	20.11.2004	20 years
171	<i>Method of waste engine oil recycling</i>	20.11.2004	20 years
172	<i>Method of zinc removal and recovery (metallization) of ferrate waste</i>	20.11.2004	20 years
173	<i>Cutting Line</i>	27.11.2004	20 years
174	<i>Lump raw material preheater</i>	27.12.2004	20 years
175	<i>Briquettes for blast furnace cleaning</i>	10.12.2004	20 years
176	<i>Briquettes as a component of BF burden</i>	10.12.2004	20 years
177	<i>Method of oiled scale recycling</i>	10.12.2004	20 years
178	<i>Method of fine oiled scale recycling</i>	10.12.2004	20 years
179	<i>Briquette for ironmaking</i>	10.12.2004	20 years



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180	<i>Method of work roll preparation</i>	20.12.2004	20 years
.			
181	<i>Briquette for metal smelting</i>	10.01.2005	20 years
.			
182	<i>Device for rolled stock cooling</i>	10.01.2005	20 years
.			
183	<i>Charge for production of briquettes for blast furnace hearth cleaning</i>	10.01.2005	20 years
.			
184	<i>Method of rolled stock production</i>	27.01.2005	20 years
.			
185	<i>Method of metal heating and rolling in hot rolling mills</i>	10.03.2005	20 years
.			
186	<i>Filter</i>	10.05.2005	20 years
.			
187	<i>Method of briquettes formation from iron-bearing waste</i>	10.06.2005	20 years
.			
188	<i>Electrostatic device for application of dielectric fluids on steel strip</i>	27.06.2005	20 years
.			
189	<i>Method of fine oiled scale recycling</i>	27.06.2005	20 years
.			
190	<i>Dust catcher</i>	27.06.2005	20 years
.			
191	<i>Method of on-line measurement of rolling stand elastic deformation parameters</i>	20.08.2005	20 years
.			
192	<i>Liquid self-hardening mix for casting molds and cores manufacturing</i>	20.10.2005	20 years
.			
193	<i>Method of high induction isotropic steel production</i>	20.12.2005	20 years
.			
194	<i>Method of thermal treatment (improvement) of split roll sleeve</i>	20.12.2005	20 years
.			
195	<i>Method of lubricant feeding during skin-passing</i>	20.04.2006	20 years
.			
196	<i>Method of steel strip production (variants)</i>	27.05.2006	20 years
.			
197	<i>Method of heat treatment of isotropic electrical steel</i>	20.06.2006	20 years
.			
198	<i>Method of lubricant feeding during skin-passing</i>	27.06.2006	20 years
.			
199	<i>Method of coarse oiled scale recycling</i>	10.08.2006	20 years
.			
200	<i>Method of emulsion feeding in continuous multi-stand cold-rolling mill</i>	27.08.2006	20 years
.			
201	<i>Method of fine oiled scale recycling</i>	27.11.2006	20 years
.			
202	<i>Device for BF top gas pressure control</i>	27.11.2006	20 years
.			
203	<i>Method of finished and semi-finished isotropic electrical steel strip</i>	27.11.2006	20 years
.			
204	<i>Method of heat treatment of cold-rolled carbon steel</i>	27.11.2006	20 years
.			
205	<i>Converter ring for annealing of cold-rolled coils in batch furnaces</i>	27.11.2006	20 years
.			

206 .	<i>Method of chlororganic waste disposal</i>	27.11.2006	20 years
207 .	<i>Method of 4-high stand rolls preparation</i>	10.12.2006	20 years
208 .	<i>Method of work roll operation</i>	10.12.2006	20 years
209 .	<i>Method of hot-dip galvanized steel strip production by means of hot-dip galvanizing</i>	10.12.2006	20 years
210 .	<i>Method of sinter burden caking</i>	10.02.2007	20 years
211 .	<i>Roll for continuous casting machines</i>	10.02.2007	20 years
212 .	<i>Converter ring for annealing of cold-rolled coils in batch furnaces</i>	20.02.2007	20 years
213 .	<i>Method of sinter burden caking</i>	20.02.2007	20 years
214 .	<i>Roll for continuous casting machines</i>	20.02.2007	20 years
215 .	<i>Device for tuyere stock nozzle lining</i>	27.01.2002	5 years
216 .	<i>Die for parts manufacturing</i>	10.03.2002	5 years
217 .	<i>Device for preparation of sealing frame for coke battery doors</i>	10.03.2002	5 years
218 .	<i>Cooling station for rolled stock</i>	10.05.2002	5 years
219 .	<i>Slitting line</i>	20.05.2002	5 years
220 .	<i>Stand for hydraulic testing of nozzles</i>	27.05.2002	5 years
221 .	<i>Slag-pumice gravel production line</i>	27.05.2002	5 years
222 .	<i>Electrostatic oiling machine</i>	20.06.2002	5 years
223 .	<i>Scale flushing chute</i>	20.06.2002	5 years
224 .	<i>Conveyor-type sinter machine</i>	20.06.2002	5 years
225 .	<i>Device for grinding balls production</i>	20.09.2002	5 years
226 .	<i>Oxygen blowing lance</i>	27.09.2002	5 years
227 .	<i>Oxygen blowing lance</i>	27.09.2002	5 years
228 .	<i>Device for determination of a shooting target brittleness</i>	20.10.2002	5 years
229 .	<i>Target for sporting</i>	20.10.2002	5 years
230 .	<i>Bath of oscillating chute on blast furnace castfloor</i>	10.11.2002	5 years
231 .	<i>Belt conveyor</i>	20.11.2002	5 years
232 .	<i>Automatic line for targets forming and drying</i>	27.11.2002	5 years

233	<i>Automatic line for targets forming and drying</i>	27.11.2002	5 years
234	<i>Line for protective coating application</i>	10.12.2002	5 years
235	<i>Installation site</i>	20.12.2002	5 years
236	<i>Line for coating application on a strip</i>	20.12.2002	5 years
237	<i>Tundish</i>	27.01.2003	5 years
238	<i>Line for targets forming and painting</i>	10.02.2003	5 years
239	<i>Hot-rolled strip cooling station</i>	10.02.2003	5 years
240	<i>Line for protective coating application</i>	10.02.2003	5 years
241	<i>Strip production section</i>	10.04.2003	5 years
242	<i>Blast furnace tuyere</i>	10.05.2003	5 years
243	<i>Strip production section</i>	27.05.2003	5 years
244	<i>Bath of oscillating chute on blast furnace castfloor</i>	27.05.2003	5 years
245	<i>Bath of oscillating chute on blast furnace castfloor</i>	27.05.2003	5 years
246	<i>Through-type continuous annealing furnace</i>	10.06.2003	5 years
247	<i>Tundish for continuous casting</i>	20.06.2003	5 years
248	<i>Electrostatic oiling machine</i>	10.07.2003	5 years
249	<i>Burned dolomite processing line for production of refractory lining for metallurgical ladles and facilities</i>	10.07.2003	5 years
250	<i>Blast furnace iron taphole</i>	20.08.2003	5 years
251	<i>Butt welder for continuous rolling mill</i>	27.08.2003	5 years
252	<i>Device for determination of contact point between blast furnace burden and throat armor</i>	27.08.2003	5 years
253	<i>Blast furnace bottom protection</i>	20.09.2003	5 years
254	<i>Production line for strip with protective coating</i>	20.10.2003	5 years
255	<i>Rotary kiln for bulk solids</i>	27.10.2003	5 years
256	<i>Heat carrier supply system in convection type garage</i>	20.12.2003	5 years
257	<i>Hot-rolled strip cooling device</i>	10.02.2004	5 years
258	<i>Blast furnace bottom protection</i>	20.03.2004	5 years
259	<i>Device for inert atmosphere creation in the ladle</i>	20.03.2004	5 years

.	<i>used for hot metal transportation from blast furnace castfloor</i>		
260	<i>Conveyor belt catching device</i>	<i>27.07.2005</i>	<i>5 years</i>
261	<i>Hot cargo transportation conveyor</i>	<i>27.10.2005</i>	<i>5 years</i>
262	<i>Cutting line roll</i>	<i>27.01.2006</i>	<i>5 years</i>
263	<i>Device for roll surface cleaning</i>	<i>10.10.2006</i>	<i>5 years</i>
264	<i>Tool for deephole machining</i>	<i>10.10.2006</i>	<i>5 years</i>

*List of Certificates for trade marks of NLMK valid as of 31.03.2007*

No.	Description	Issue date	Validity
1	<i>Pictorial trademark</i>	<i>20.04.1975</i>	<i>till 14.10.2014</i>
2	<i>Trademark "STINOL"</i>	<i>17.06.1991</i>	<i>till 11.10.2010</i>
3	<i>Pictorial trademark</i>	<i>17.06.1991</i>	<i>till 11.10.2010</i>
4	<i>Trademark "STINOL"</i>	<i>16.10.1992</i>	<i>till 20.12.2011</i>
5	<i>Pictorial trademark</i>	<i>16.10.1992</i>	<i>till 20.12.2011</i>
6	<i>Trademark "STINOL"</i>	<i>07.05.1999</i>	<i>till 17.06.2007</i>
7	<i>Pictorial trademark</i>	<i>16.10.1998</i>	<i>till 17.06.2007</i>
8	<i>Trademark "STINOL"</i>	<i>13.07.2001</i>	<i>till 03.04.2010</i>
9	<i>Trademark "СТИНОЛ"</i>	<i>13.07.2001</i>	<i>till 03.04.2010</i>
10	<i>Pictorial trademark</i>	<i>27.05.2002</i>	<i>till 03.04.2010</i>
11	<i>Trademark "СТИНОЛ"</i>	<i>04.10.2002</i>	<i>till 11.08.2010</i>
12	<i>Trademark "STINOL"</i>	<i>17.06.2003</i>	<i>till 11.08.2010</i>
13	<i>Trademark "LIPSTAL"</i>	<i>06.08.2002</i>	<i>till 24.10.2010</i>
14	<i>Trademark "ЛИПМЕТ"</i>	<i>17.09.2002</i>	<i>till 23.10.2010</i>
15	<i>Trademark "ЛИПСТАЛЬ"</i>	<i>20.09.2002</i>	<i>till 24.10.2010</i>
16	<i>Trademark "NOVOLIP"</i>	<i>02.10.2002</i>	<i>till 30.10.2010</i>
17	<i>Trademark "НОВОЛИП"</i>	<i>02.10.2002</i>	<i>till 30.10.2010</i>
18	<i>Trademark "ЛИПМЕТ"</i>	<i>22.11.2002</i>	<i>till 24.10.2010</i>
19	<i>Trademark "НОВОМЕТ"</i>	<i>05.07.2004</i>	<i>till 30.10.2010</i>
20	<i>Trademark "NOVOMET"</i>	<i>05.07.2004</i>	<i>till 30.10.2010</i>
21	<i>Trademark "НЛМК"</i>	<i>19.07.2005</i>	<i>till 18.03.2014</i>
22	<i>Trademark "NLMK"</i>	<i>20.12.2005</i>	<i>till 18.03.2014</i>

*Constant control over prompt payment of all patent fees for inventions and utility models, over prolongation of trade mark registration validity, over submission of applications for trade mark registration in case of the Company's product mix diversification are the main actions aimed at prevention of forfeiture of NLMK's rights for intellectual property.*

*NLMK's expenses for R&D for the period 2002 – Q1 2007 are the following:*

*thousand rubles*

	Expenses for R&D	including expenses for obtaining of patents and licenses for trade mark utilization
2002	26 361,5	888,0
2003	25 313,9	1 569,0
2004	17 652,2	1 609,9
2005	20 444,7	584,2
2006	11 973,4	336,2
QI 2007	1 609	6,4

#### 4.5. Analysis of trends in the Issuer's core activity

*In 2002 the trend towards the economical improvement of the companies in the industry shaped in Russian steelmaking industry. Before 2005 the major Russian steelmaking companies were increasing their production of the main types of products. Efficient utilization of production facilities, strong business contacts, stable demand for the products of the industry inside the country as well as abroad enabled the steel sector in Russia to increase the main production and economic performance figures. The year 2004 saw the best production and financial performance results in Russian steel sector for the recent years.*

*Following the rapid growth of global production in 2004, global steel market changed in 2005: the achieved overproduction of steel in the world, first of all due to the growth of steel production in China, resulted in significant price decrease. In order to maintain prices for steel steelmaking companies from many regions of the world had to curtail the output of steel products. Those trends manifested themselves in the development of Russian steel sector. Production performance of the most Russian steel companies in 2005 decreased and remained at the level of 2004. Over 12 months of 2005 pig iron production of the industry decreased by 4 %, steel production increased by 1 % and finished rolled products – by 2 % ( source: Chermet Corporation).*

*Year 2006 demonstrated the revival of the global and domestic steel markets, in general it turned out to be favorable for the Russian iron and steel industry. In the course of the last year, the growing domestic demand on the part of steel-intensive industries facilitated the increase in main ferrous products output and sales. According to Chermet, in 2006 the Russian output of pig iron grew by 5%, steel and finished flats – by 7% vs. 2005.*

*Due to better market conditions in 2006, practically all major Russian steelmakers ramped up their production in 2006. The biggest Russian steel companies (MMK, Severstal, NLMK) accounted for 50% of pig iron, steel, finished rolled products produced in the sector.*

*Following the industry-wide trend, in 2006 NLMK increased its output of pig iron by 15%, steel – by 8%, finished rolled products – by 4% vs. 2005, the growth rates of pig iron and steel output were higher than the average rates within the industry.*

*Furthermore, NLMK demonstrated the highest increase in pig iron production among the major steelmakers (according to Chermet, in the course of 2006 Severstal expanded its pig iron output by 3%, MMK – by 1%). Such a significant increase in pig iron output was accounted for by NLMK's attainment of its reference production level as a result of major overhaul of Blast Furnace No.5 (the second in capacity) in 2005 in the framework of NLMK's Technical Development and Upgrading Program.*

*In the reporting year the major Russian steelmakers demonstrated improvement of their economic performance. Prices for metal products turned out to be the main factor that influenced the financial performance of steel producers in the course of 2006.*

*In 1H 2006 the average level of prices for metals was lower than that in the respective period of 2005, in spite of output growth, cost indicators were slightly lower for the major part of steel producers.*

*QIII 2006 turned out to be quite beneficial for the Russian iron & steel industry from the perspective of price growth, financial indicators, steel production and domestic market*

development. Despite a slight decline in prices in QIV 2006, the performance in 2H 2006 was better than that in 1H 2006.

Generally, in 2006 the Russian iron & steel industry achieved positive results. According to Chermet, in 2006 the commercial products value within the industry increased by 12%. MMK and Severstal demonstrated the 10 % increase in commercial products output each, while NLMK's increase amounted to 17%, which exceeded the average indicator for the industry.

In 2006 NLMK's income before tax grew by 45% as compared to 2005. It resulted from the production volume growth and consolidation of new assets, which also enables NLMK to increase its output of high value-added products. The additional factor that had an effect on improvement of NLMK's financial performance was the disposal of NLMK's non-strategic iron ore assets: OJSC Lebedinsky GOK in January and OJSC Kombinat KMAruda in September, 2006.

In 2006 NLMK's share in the net financial result of Russian steel-producers made 27% vs. 22% in the same period of 2005.

In January-March 2007 the situation in the steel market remained favourable. Major Russian steel companies continued to increase their output. As a result, pig iron output grew by 1%, steel – by 7%, finished rolled products – by 8% as compared to QI 2006 (according to Chermet).

Following the industry-wide trend, in QI 2007 NLMK increased the output of main products: pig iron by 6%, steel – by 2%, finished rolled products – by 4% vs. QI 2006.

In January-March 2007 the average level of prices for metals was higher than that in the respective period of 2006, which resulted in improvement of performance of most Russian steel producers as compared to January-March 2006. In overall, over 3 months of 2007 the iron & steel industry's output exceeded by 39% the output over 3 months of 2006. The net financial result for 2 months of 2007 improved by 22% against the respective period of 2006.

Similarly, due to higher prices for main metal products and increased production volumes, NLMK's output in QI 2007 grew by 30%.

#### 4.5.1. Analysis of factors and conditions that influence the Issuer's business.

Main factors that influence the Issuer's business are related to the following areas of the Issuer's activity: purchasing of raw materials for production, sales of finished products, logistic arrangements, etc.

Regarding purchasing of raw materials, the main factor that influences the Company's business is the variation of prices for purchased raw and other materials.

##### Iron ore

In 2006 the output of commercial iron ore products in Russia amounted to 99,6 mln. tons, including: 3,5 mln. t of sinter ore; 54,5 mln. t of concentrate; 35,1 mln. t of pellets; 5,4 mln. t of sinter and 1 mln. t of hot-briquetted iron (HBI).

Main Russian producers of iron ore raw materials are included in vertically integrated iron & steel holdings. Four major holdings (MMK, NLMK, Mechek, Severstal) control about 76% of iron ore production in Russia.

NLMK owns 97% of shares of OJSC Stoilensky GOK, its average monthly output is the following:

	Products	Average monthly output in 2006(thousand tons)	Forecast monthly output in 2007 (thousand tons)
OJSC Stoilensky GOK	sinter ore	115	127
	concentrate	942	968

In 2006 Russian steelmaking companies consumed 84 mln. t of commercial iron ore products, including NLMK:

	Products	Average monthly consumption in 2006 (thousand tons)	Forecast monthly consumption in 2007 (thousand tons)
NLMK	concentrate	969	955
	pellets	149	149
	sinter ore	54	51
	blast furnace ore	1,6	1,6

*It should be noted that in recent years the Russian iron ore market developed in isolation from the rest of the world. Contrary to the global trend of horizontal integration within the industry, most Russian iron ore producers were included in steel holdings, as noted above. Therefore, prices in the Russian iron ore market were largely dependent on sales prices for a holding's finished products.*

*Currently the situation has changed and the pricing policy in the Russian iron ore market is negotiable and takes into account the existing market conditions. Price trends shaping in the course of negotiations with the biggest global iron ore producers - Rio Tinto, BHP Billiton, CVRD – are used as reference. Taking into account the stabilization of current price level, Russian iron ore producers start to fix prices for long-term contracts (1-1,5 years) for supply of iron ore products to steelmakers, following the global tendencies in the iron ore market*

*In QI 2007 the increase of NLMK's purchasing prices for iron ore concentrate amounted to 80,3% against QI 2006.*

*Rapid growth of global demand for iron& steel products in recent years has resulted in deficit in the iron ore market. Furthermore, due to continuing consumption increase, mainly in Asian countries, as well as limited supply, the prices for iron ore remain at the attained level.*

*Therefore, it may be concluded that despite the potential deterioration of conditions in the iron ore market, the long-term contracts concluded between NLMK and OJSC Stoilensky GOK and other suppliers, with fixed prices and fixed amounts for the current year guarantee stable supplies and steady purchasing prices for this raw material in the course of this period.*

### Coke

*Taking into account the design capacity of coke production by coke and steel production plants in 2007, the potential coke output in Russia in 2007 can reach 37,8 mln. t, including NLMK - 4,6 mln. t.*

*Pig iron production can grow by 1,84-3,4% against 2006, up to 52,3-53,4 mln. t (including NLMK - up to 9,3 mln. t). At the same time, coke consumption of Russian steel plants can make from 26,8 to 27,3 mln. t. of coke, and taking into account exports and other industries – from 33,7 to 35 mln. t.*

*Thus, surplus of coke in the Russian market in 2007 can constitute from 2,8 to 4,14 mln. tpa. This situation can improve only due to the increase of exports (export from Russia in 2004 amounted to 3,84 mln. t, in 2005 – 2,85 mln. t).*

*As the share of raw materials accounts for 80% in coke production, the increase in prices for coke will follow the increase in prices for coking coal, but more moderately.*

*In QI 2007 the growth of NLMK's purchasing prices for coke against QI 2006 was 13,7%, which is comparable with the growth of purchasing prices for coking coal. It is anticipated that in QII 2007 prices will go down due to oversupply of this raw material in the market.*

## Coking coal

*Taking into account the scheduled startup of additional facilities by coal producers in 2007, the output of coking coal in 2007 can reach 78,7 – 85,2 mln. t. With account of imports, the supply in the Russian coking coal market will amount to 79,7 – 86,3 mln. t.*

*In view of potential coke output in 2007 the demand for coking coal in the Russian market can amount to 62,8 mln. t, and taking into account the export supplies of coal concentrate - 78,2 mln.t. The anticipated surplus of coking concentrate in Russia will make 1,5 - 8,1 mln.t.*

*In general, the situation in the coal market – domestic and foreign – is favourable for coking coal, and the demand for this product will continue growing.*

*The increase of NLMK's purchasing prices for coking coal in QI 2007 against the level of QI 2006 was 14,9%, which is in line with trends in the global market. We believe that in QIII 2007 the prices for coking coal in the spot market may increase by 3-5%. However, NLMK concluded long-term contracts for coal concentrate with its suppliers, with fixed prices and amounts till the end of 2007.*

## Scrap

*In 2006 the volume of scrap transportation, according to railroad statistics, amounted to 28 mln. t. Scrap generating companies (the major ones: OJSC Russian Railroads, OJSC Avtovaz) account for about 20% of these shipments, scrap processors – for the remaining 80%. There are about 300 of medium and large scrap processing companies in the market. The largest independent company is Industrial Group MAIR.*

*It should be noted that currently there is a number of tendencies to consolidation of the scrap processing industry:*

- aggravation of competition and decrease of net profit of separate scrap processing sites;*
- it is necessary to revamp facilities of the most Russian scrap processing companies;*
- increase of scrap consumption by steel producers: MMK, Maxi-Group, ChTPZ Group and others;*
- it is necessary to increase the efficiency of scrap collection because of growing requirements.*

*Thus, taking into account the announced plans of steel plants related to revamping and modernizations of their production, scrap consumption in 2007-2010 will increase by about 8 mln. t.*

*We expect that most announced projects will not be implemented, because:*

- in the first place, their implementation will require large investments;*
- in the second place, due to shortage of scrap in the market it will be difficult to provide scrap for the existing steel plants, say nothing of new ones. A potential requirement of new minimills will amount to about 6 mln. t.*

*Because of this shortage of scrap, it will be necessary to redistribute the export flows of scrap. This situation will result in similarity of global and domestic prices for scrap (at the moment the difference is 60-80\$). The prices for scrap have seasonal nature, however it is clear that average prices for scrap in 2007 will exceed the prices in 2006 by 50-60\$.*

*In QI 2007 the growth of NLMK's purchasing prices for scrap against QI 2006 amounted to 24,4%.*

*Thus, long-term contracts for supply of raw materials with fixed (in most cases) amounts and*



*prices till the end of 2007 ensure the Company's stable performance.*

#### *Survey of transportation services market*

*For transportation of its cargoes, NLMK uses mainly railway transportation. Therefore, most significant factors related to NLMK's cargoes transportation, which influence the Company's business, are dependent on the business of the natural monopoly JSC Russian Railways.*

*In January 2007 the tariffs for international railway freight service increased by 11-12% on the average, depending on type of rolling stock, type of cargo, railcar ownership the increase ranged from 4% to 20%.*

*Earlier the forecast of Russia's socio-economic development envisaged the growth of freight service tariffs of JSC Russian Railways by 7% in 2008, 6,8% - in 2009 and 6,5% - in 2010. The monopoly requested these figures to be reassessed and increased – up to 13,5%, 9% and 6,5% respectively.*

*Therefore, further increase of freight service tariffs in 2007 is very unlikely.*

*In order to mitigate the risks associated with the sharp increase in railroad tariffs, the Issuer, along with JSC Russian Railways, cooperates with its subsidiary LLC NTK and alternative forwarding companies. In this case, the cars from the common fleet of JSC Russian Railways, as well as those from private or rented rolling stock are used for transportation.*

#### *Sales of metal products*

*In QI 2007 the prices for NLMK's products sold in the domestic markets went down, as compared to the previous quarter, which was caused by the deterioration of the global market conditions in the end of 2006 and the traditional decrease of demand in winter.*

*Later on in the course of 2007 the demand for metal products is expected to increase due to dynamic development of industry and construction.*

*Since QII 2007 the prices for flats in the global market have been on the increase, in June-August they are expected to stabilize, then the decline is possible.*

*Domestic price trends for flats are generally similar to the global ones. The growth of prices for hot-rolled and cold-rolled flats, which began in April, will continue in May. Price deflation can be expected in the middle of QIII.*

*Furthermore, we expect that in this year there will be no significant increase in flats production capacities, which can result in rapid change of demand and supply in the finished products market with further price adjustment.*

*Therefore, over the reporting period there weren't any significant changes in main factors and conditions, which influence the Issuer's business.*

#### **4.5.2. Main competitors of the Issuer.**

*Main competitors of NLMK in the domestic market of steel products are MMK Severstal.*

*Among the significant competitive advantages of the Company the following ones can be enumerated:*

- Production diversification: NLMK is an integrated steel company which produces upstream and downstream products, from pig iron to coated coils;*
- Geographical situation: the company is located near to the main steel consuming regions and sea ports of Russia.*
- Priority in development of high value added products: NLMK produces high-quality*

*structural cold-rolled sheet, it was the first in Russia to start producing pre-painted flats, it is the only company in Russia which can produce electrical steel of the highest grades;*

- *Continuing activities aimed at provision of stable high quality: for this purpose since 2000 NLMK has implemented its Technical Upgrading and Development Program;*
- *Demand for steel products in the global market: NLMK supplies its products to almost all industrially developed countries, being the leading Russian exporter of slabs and electrical steel;*

*At present NLMK and its main competitors invest a lot in revamping and modernization of their equipment, therefore NLMK's competitive position in the domestic market is maintained.*

*OJSC "NLMK" supplies its products to dozens of countries of the world. Practically in all importing countries there are domestic producers of similar products. Apart from NLMK, steelmaking companies from other countries supply their products to these markets. Hence in the export market NLMK faces multiple competition.*

## **V. Detail information on members of the Issuer's authorities, financial performance control bodies, and brief data on the Issuer's employees.**

### **5.1. Information on structure and competence of the Issuer's authorities.**

*The Supreme governing body of the Company is the General Shareholders' Meeting.*

*The Board of Directors carries out overall management of the Company's activity excluding those issues, which fall under the exclusive competence of the General Shareholders' Meeting.*

*The Board of Directors consists of 9 members.*

*The management of NLMK's day-to-day operation is exercised by the Company's single executive body – President (Chairman of the Management Board) and by the Company's corporate executive body – the Management Board.*

*The competence of the President (Chairman of the Management Board) and Management Board covers all the issues related to management of the Company's day-to-day operation, as well as authority over the operation of subsidiaries and affiliates and other legal entities (of which the Company is a participant, founder or a member) in accordance with the Charter provisions.*

*President (Chairman of the Management Board) and the Management Board make arrangements for implementation of the decisions of the Company's General Shareholders' Meeting and the Board of Directors.*

*The Management Board is a corporate executive body of the Company, which acts on the basis of the Federal Act "On joint-stock companies", the Company Charter and Regulations on Management Board of the Company approved by the General Shareholders' Meeting.*

*The structure and quantity of members of the Management Board are approved by the Board of Directors considering the opinion of the President (Chairman of the Management Board). The personal composition of the Management Board is approved by the Board of Directors upon presentation of the President (Chairman of the Management Board) according to the procedure provided for by the Regulation on Management Board.*

The competence of the Issuer's General Shareholders' (participants') Meeting in accordance with its Charter (constituent documents):

**The following matters fall within the Meeting's competence (Chapter 4, Article 16 of the Company Charter):**

- 1) changes and additions to the Charter or approval of the Charter in new revisions;**
- 2) restructuring of the Company;**
- 3) liquidation of the Company, appointment of the Liquidation Committee and approval of the interim and final liquidation balances;**
- 4) definition of the number of persons in the Board of Directors, election of its members and premature termination of their authority;**
- 5) determination of number, par value, category (type) of the shares declared and rights granted by these shares;**
- 6) increase of the Company's chartered capital through share par value increase; increase of the chartered capital of the Company through placement of additional shares by public subscription in case the number of additionally placed shares constitutes more than 25% of the common shares earlier placed by the Company; increase of the Company's chartered capital through placement of shares by closed subscription;**
- 7) decrease of the chartered capital through share par value decrease, through paying off the shares acquired by the Company and not sold within a year and of the shares redeemed by the Company, as well as through paying off the shares that have passed to the Company in relation to their non-payment; decrease of the chartered capital through partial acquisition of shares for the purpose of decreasing their total number;**
- 8) election of the President (Chairman of the Management Board) and premature termination of his authority;**
- 9) election of the Audit Committee and premature termination of its authority;**
- 10) approval of the Company's Auditor;**
- 10.1) payment (declaration) of dividends upon results of the first quarter, six months, nine months of a financial year;**
- 11) approval of annual reports, annual financial statements, including the Company's profit and loss statements (profit and loss accounts), as well as distribution of Company's profits (including payments (declaration) of dividends, excluding profits distributed as dividends upon results of the first quarter, six months, nine months of a financial year) and losses of the Company upon results of a financial year;**
- 12) establishment of procedure of the General Shareholders' Meeting;**
- 13) appointment of the Accounts Committee and premature termination of its authority in case the Accounts Committee's functions are not exercised by the Company's Registrar in accordance with the Federal Act "On joint-stock Companies";**
- 14) split-up and consolidation of shares;**
- 15) transactions approval in cases stipulated in Article 83 of the Federal Act «On joint-stock companies»;**
- 16) major transactions conclusion approval in cases stipulated in Article 79 of the Federal Act "On joint-stock companies";**
- 17) acquisition of issued shares by the Company in cases, stipulated in the Federal Act "On joint-stock companies";**
- 18) involvement in holdings, financial and industrial groups, associations and other commercial organizations;**
- 19) approval of internal documents governing the operation of the Company's bodies;**
- 20) decision-making on other matters stipulated by the Federal Act "On joint-stock companies" and / or the present Charter.**

**The matters falling under the competence of the General Shareholders' Meeting cannot be transferred to the competence of the Company's executive bodies.**

**The matters falling under the competence of the General Shareholders' Meeting cannot be referred to competence of the Company's Board of Directors except in cases stipulated in the Federal Act "On joint-stock companies".**

The competence of the Issuer's Board of Directors (Supervisory Board) in accordance with its Charter (constituent documents):

**The following matters fall within the Board of Directors' competence (Chapter 5, Article 30 of**

**the Company Charter):**

- 1) definition of operational guidelines for the Company;**
- 2) convocation of the Annual and Extraordinary Shareholders' Meetings excluding cases, when in accordance with the Federal Act "On joint-stock companies" an Extraordinary Shareholders' Meeting can be convoked by authorities and persons demanding its convocation;**
- 3) approval of the Shareholders' Meeting agenda;**
- 4) determination of the date of list of the shareholders entitled to participate in the Shareholders' Meeting and other issues attributed to the competence of the Board of Directors in accordance with the Charter and the Federal Act "On the joint stock companies" and related to preparation and holding of the Shareholders' Meeting;**
- 5) approval of long-term plans and basic programs of the Company's activity, the Company's budget;**
- 6) agreement of nominees to the sole executive authority in material subsidiaries and affiliates;**
- 7) preliminary approval of annual reports, annual financial statements, including profit and loss statements of the Company for a financial year;**
- 8) increase of the Company's chartered capital by additional shares placement by the Company at the expense of its property within the quantity of declared shares.**
- 9) increase of the Company's chartered capital by additional shares placement by the Company by public subscription within the quantity of declared shares, if the number of additionally placed shares constitutes 25% or less from the common shares earlier placed by the Company;**
- 10) acquisition of shares placed by the Company in accordance with Item 2, Article 72 of the Federal Act "On joint-stock companies";**
- 11) approval of decisions on emission of securities, prospectus, report on securities issue results, amendment and revision thereof.**
- 12) placement of bonds and other securities issued by the Company in cases provided for by the Federal Act "On joint-stock companies";**
- 13) determination of price (pecuniary valuation) of the property, price for placement and redemption of the securities issued in cases provided for by the Federal Act "On joint-stock companies";**
- 14) acquisition of bonds and other securities placed by the Company in cases provided for by the Federal Act "On joint-stock companies"**
- 15) setup of the Management Board, determination of structure and quantitative composition of the Management Board, approval of the Management Board members, early termination of their authority, determination of contract terms and compensations to the President (Chairman of the Management Board) of the Company and members of the Management Board, agreement of matters related to combining of their offices in the control bodies of other entities, brining the Management Board members to material, disciplinary or other liability for non-fulfillment of their obligations;**
- 16) recommendations to the General Shareholders' Meeting on the amount of reward and compensation paid to members of the Audit Committee and determination of payment amount for Auditor's services;**
- 17) recommendations to the General Shareholders' Meeting on dividend amount payable to the shareholders and procedure of its payment;**
- 18) recommendations to the General Shareholders' Meeting on the procedure of profits and losses distribution upon results of a financial year;**
- 19) use of the reserve fund and other funds of the Company;**
- 20) approval of the Company's internal documents excluding internal papers which fall within the competence of the General Shareholders' Meeting according to this Charter and Federal Act "On joint-stock companies", or other internal documents of the Company which are to be approved by the President (Chairman of the Management Board) in accordance with the present Charter;**
- 21) establishment and liquidation of the Company's branches and representative offices, approval of provisions on branches and representative offices, revision and amendment of these provisions;**

**22) approval of major transactions in cases provided for by Chapter X of the Federal Act "On joint-stock companies";**

**23) approval of transactions provided for by Chapter XI of the Federal Act "On joint-stock companies";**

**24) approval of the Company Registrar, as well as terms and conditions of the contract with him/her, as well as cancellation of this contract;**

**25) suspension of powers of the President (Chairman of the Management Board);**

**26) appointment of the acting President (Chairman of the Management Board);**

**27) decision-making on Company's participation in other organizations, excluding participation in holding companies, financial and industrial groups, associations and other unions of commercial organizations;**

**28) establishment of Committees with the Board of Directors, approval of internal documents, which regulate activities of these Committees;**

**29) other matters provided for by the Federal Act "On joint-stock companies" and the present Charter.**

**The matters that fall within the competence of the Company's Board of Directors cannot be transferred to the executive body of the Company for decision.**

Competence of the individual and corporate executive bodies of the Issuer in accordance with its Charter (constituent documents):

**Competence of the President (Chairman of the Management Board) (Chapter 6, Article 38 of the Company Charter).**

**Competence of the President (Chairman of the Management Board) includes all issues related to management of the Company's day-to-day operation, excluding those in the exclusive authority of the General Shareholders' Meeting, the Board of Directors and the Management Board.**

**President (Chairman of the Management Board) acts without any Power of Attorney on behalf of the Company, in particular:**

**- performs operative management of the Company activities;**

**- has the right of the first signature in financial documents;**

**- represents the Company both in the RF and outside it;**

**- represents without any power of attorney the Company's interests in subsidiaries, affiliates and other legal entities, of which the Company is a participant, founder or a member;**

**- approves staff list, concludes employment agreements with employees of the Company, dismisses, applies incentive measures to employees and imposes penalties on them;**

**- governs the activities of the Management Board and presides at its meetings;**

**- presents members of the Management Board for the Board of Directors' approval;**

**- makes suggestions on bringing to liability of the Management Board members;**

**concludes transactions on behalf of the Company with the exception of cases stipulated by the Federal Act "On joint-stock companies" and this Charter;**

**- issues power of attorney on behalf of the Company;**

**- opens the Company's accounts with banks;**

**- makes provisions for the Company's accounting and book-keeping procedures;**

**- issues orders and gives instructions which are binding for all employees of the Company;**

**- defines information which is a commercial secret of the Company, and means of such information protection in accordance with the effective legislation;**

**- approves internal documents of the Company, which regulate the Company's day-to-day operation, excluding those in the exclusive authority of the Management Board.**

**The President (Chairman of the Management Board) is entitled to appoint acting President (Chairman of the Management Board) for the period of his absence to be approved by the Board of Directors' Chairman.**

**The Competence of the Management Board (Chapter 6, Article 36 of the Company Charter).**

**The exclusive competence of the Company's Management Board includes:**

**1) drafting of the development concepts, long-term plans and basic operational programs of the Company, its subsidiaries and affiliates, and submission thereof to the Board of Directors for**

*approval;*

*2) determination of procedure of the Company's interaction with businesses and legal entities, of which the Company is a shareholder, participant, member or a founder;*

*3) approval of propositions on the agenda items of the General Shareholders' (participants') Meetings and the list of nominees to the management and control authorities of subsidiaries, affiliates and other legal entities, of which the Company is a participant, founder or a member;*

*4) approval of the Company's representatives for the participation in the General Shareholders' (participants') Meetings of subsidiaries, affiliates and other legal entities, of which the Company is a participant, founder or a member, as well as voting instructions on the agenda items for such representatives;*

*5) preparation of recommendations and conclusions on the issues considered by the management authorities of subsidiaries, affiliates and other legal entities, of which the Company is a participant, founder or a member, related to approval of their budgets, principal directions of activity, management structure and other issues material for the Company;*

*6) recommendations to the Board of Directors on approval of major transactions and/ or transactions of interest considered by the Board of Directors in accordance with its competence;*

*7) approval of contracts related to the Company's assets, when the amount due or the subject goods value exceeds 10 per cent of the Company's assets book value, excluding transactions concluded in the normal course of business;*

*8) other issues regarded as those within the competence of the Company Management Board under the effective legislation of the RF, this Charter and Regulation on Management Board.*

*The powers described in clauses 1, 2, 3, 4, 5 above are exercised by the Management Board in relation to significant subsidiaries, affiliates and other legal entities, of which the Company is a participant, founder or a member.*

Availability of a Corporate Governance Code or any other similar document:

*The General Shareholders' Meeting held on June 06, 2006 (Minutes No. 24) approved a new revision of the Corporate Governance Code of OJSC "Novolipetsk Steel."*

Address in the Internet with free access to the full text of Issuer's Corporate Governance Code:

[www.nlmk.ru/about/company\\_documents/](http://www.nlmk.ru/about/company_documents/)

Information on any changes to the Issuer's Charter made during the reporting period as well as on any internal documents which govern the activities of the Issuer's bodies:

***No changes have been made to the Company Charter or any other internal documents governing the operation of the Company's authorities.***

Address in Internet with free access to full text of current Charter of the Company and internal documents governing the activities of the Company's authorities:

[www.nlmk.ru/about/company\\_documents/](http://www.nlmk.ru/about/company_documents/)

## **5.2. Information on members of the Issuer's management authorities.**

### **Board of Directors:**

Chairman: ***Vladimir S. Lisin***

Members of the Board:

***Oleg V. Bagrin***

Year of birth: ***1974***

Education: ***post-graduate vocational***

Titles over the last 5 years:

Period: ***2002 – 2002***

Organization: **Joint-stock commercial bank "Autobank"**  
Title: **Director of Treasury**

Period: **2002 – 2003**

Organization: **Joint-stock commercial bank "Autobank"**  
Title: **Deputy Chairman**

Period: **2003 – 2005**

Organization: **LLC Rumelco**  
Title: **Director of Financial Assets Management**

Period: **2005 – up to now**

Organization: **CJSC IC "Libra Capital"**  
Title: **Director**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Nikolai A. Gagarin**

Year of birth: **1950**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 - 2003**

Organization: **Moscow State Lawyers Bar, Advocate Bureau "Reznik, Gagarin & Partners"**  
Title: **Executive Partner**

Period: **2003 – up to now**

Organization: **Non-profit organization, Advocate Bureau "Reznik, Gagarin, Abushakhmin & Partners"**

Title: **Chairman of the Board**

Period: **2005 – up to now**

Organization: **Federal Advocate Chamber of the Russian Federation**  
Title: **Vice-president**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

***Dmitry A. Gindin***

Year of birth: **1946**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 – up to now**

Organization: **OJSC Moscow Plant "Sapphire"**

Title: **Director General**

Period: **2002 – 2005**

Organization: **"Management holding company "Metalloinvest" Ltd.**

Title: **President (pluralistically)**

Period: **2004 – 2005**

Organization: **Association "Agroindustrial corporation "Stoilenskaya Niva""**

Title: **President (pluralistically)**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

***Karl Doering***

Year of birth: **1937**

Education: **post-graduate vocational**

Titles over the last 5 years:

Period: **2002 – up to now**

Organization: **Consulting firm "PROJECT CONSULTING"**

Title: **Manager**

Period: **2002 – 2002**

Organization: **Metallurgical concern USINOR (France)**

Title: **Chief Representative for the Middle and Eastern Europe within the frames of consulting firm "PROJECT CONSULTING"**

Share in the Issuer's stockholders' equity: **none**



Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Vladimir S. Lisin**

Year of birth: **1956**

Education: **post-graduate vocational**

Titles over the last 5 years:

Period: **2002 – up to now**

Organization: **LLC "Rumelco"**

Title: **Chief Consultant**

Period: **2002 - up to now**

Organization: **Academy of National Economy with the Government of the Russian Federation**

Title: **Professor of Market Issues and Economic Mechanisms Faculty (pluralistically)**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **relative of the member of NLMK's Management Board Mr. Alexander N. Saprykin.**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Randolph Reynolds**

Year of birth: **1941**

Education: **Bellarmino College**

Titles over the last 5 years:

Period: **2002 – 2002**

Organization: **Industrial Advisors, Inc.**

Title: **Director**

Period: **2002 – up to now**

Organization: **Industrial Advisors Services, Inc.**

Title: **Director**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Vladimir N. Skorokhodov**

Year of birth: **1951**

Education: **post-graduate vocational**

Titles over the last 5 years:

Period: **2002 – up to now**

Organization: **LLC "Rumelco"**

Title: **Deputy Director General**

Period: **2002 - up to now**

Organization: **Lipetsk State Technical University**

Title: **Professor at Rolling Production Faculty (pluralistically)**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Igor P. Fyodorov**

Year of birth: **1966**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 - 2003**

Organization: **Moscow State Lawyers Bar, Advocate Bureau "Reznik, Gagarin & Partners"**

Title: **Lawyer of Moscow State Lawyers Bar**

Period: **2003 – up to now**

Organization: **Non-profit organization, Advocate Bureau "Reznik, Gagarin, Abushakhmin & Partners"**

Title: **Lawyer of Moscow Advocate Chamber**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

### **The Issuer's sole executive body and members of the corporate executive body:**

**Galina A. Aglyamova**

Year of birth: **1961**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2001 - 2002**

Organization: **NLMK**

Title: **Director, Economics**

Period: **2003 - 2005**

Organization: **NLMK**

Title: **Director, Economics and Finance**

Period: **2005 - 2006**

Organization: **NLMK**

Title: **Deputy Director General, Economics and Finance**

Period: **2006 – up to now**

Organization: **NLMK**

Title: **Vice-president, Finance (CFO)**

Share in the Issuer's stockholders' equity: **0.00017%**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Igor N. Anisimov**

Year of birth: **1965**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 - 2006**  
Organization: **NLMK**  
Title: **Purchasing Director**

Period: **2006 - up to now**  
Organization: **NLMK**  
Title: **Vice-president, Purchasing**

Share in the Issuer's stockholders' equity: **0.0017%**  
Number of the Issuer's shares that could be purchased as result of option: **no options**  
Shares in the Issuer's subsidiaries/affiliates: **none**  
Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**  
Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**  
An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**  
Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Dmitry A. Baranov**  
Year of birth: **1968**  
Education: **higher vocational**

Titles over the last 5 years:  
Period: **2002 - 2004**  
Organization: **LLC "Rumelco"**  
Title: **Expert of Domestic Market Analysis Department, Head of Domestic Market Analysis Department**

Period: **2004 - 2006**  
Organization: **LLC "Trading House NLMK"**  
Title: **Director of Sales Department**

Period: **2006 – up to now**  
Organization: **NLMK**  
Title: **Vice-president, Sales**

Share in the Issuer's stockholders' equity: **none**  
Number of the Issuer's shares that could be purchased as result of option: **no options**  
Shares in the Issuer's subsidiaries/affiliates: **none**  
Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**  
Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**  
An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**  
Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Alexander Y. Zarapin**

Year of birth: **1962**  
Education: **higher vocational**

Titles over the last 5 years:  
Period: **2002 - 2004**  
Organization: **LLC "Larmet"**  
Title: **Director of Raw Material Resources Department**

Period: **2004 - 2006**  
Organization: **LLC "Trading House NLMK"**  
Title: **Director of Production, Energy and Secondary Resources**

Period: **2006 – up to now**  
Organization: **NLMK**  
Title: **Vice-president, "Coal" Department**

Share in the Issuer's stockholders' equity: **none**  
Number of the Issuer's shares that could be purchased as result of option: **no options**  
Shares in the Issuer's subsidiaries/affiliates: **none**  
Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**  
Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**  
An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**  
Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

### **Alexey A. Lapshin**

Year of birth: **1947**  
Education: **higher vocational**

Titles over the last 5 years:  
Period: **2002 - 2002**  
Organization: **LLC "Rumelco"**  
Title: **Head of Management Department**

Period: **2002 - 2006**  
Organization: **DanSteel A/S**  
Title: **Consultant for Technology and Management**

Period: **2006 - 2006**  
Organization: **DanSteel A/S**  
Title: **Director General**

Period: **2006 – up to now**  
Organization: **NLMK**  
Title: **President (Chairman of the Management Board)**

Share in the Issuer's stockholders' equity: **none**  
Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

***Yuri I. Larin***

Year of birth: **1952**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 - 2005**

Organization: **NLMK**

Title: **Deputy Director for Technology and Quality – Head of Engineering Centre**

Period: **2005 - 2006**

Organization: **NLMK**

Title: **Director of R&D Centre**

Period: **2006 – up to now**

Organization: **NLMK**

Title: **Vice-president, Technical Upgrading and Environment**

Share in the Issuer's stockholders' equity: **0.00017%**

Number of the Issuer's shares that could be purchased as result of option: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

***Vladimir P. Nastich***

Year of birth: **1953**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 - 2004**

Organization: **NLMK**

Title: **Chief Engineer – First Deputy Director General**

Period: **2004 – 2006**

Organization: **NLMK**

Title: **Director General**

Period: **2006 – up to now**  
Organization: **NLMK**  
Title: **Senior Vice-president – Director General**

Share in the Issuer's stockholders' equity: **0.00018%**  
Number of the Issuer's shares that could be purchased as result of option: **no options**  
Shares in the Issuer's subsidiaries/affiliates: **none**  
Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**  
Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**  
An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**  
Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Alexander N. Saprykin**

Year of birth: **1967**  
Education: **higher vocational**

Titles over the last 5 years:  
Period: **2002 - 2002**  
Organization: **LLC "Rudprom"**  
Title: **Director General**

Period: **2002 - 2006**  
Organization: **LLC "Rumelco"**  
Title: **Head of Raw Material Market Analysis Department**

Period: **2006 – up to now**  
Organization: **NLMK**  
Title: **Vice-president, "Iron Ore" Department**

Share in the Issuer's stockholders' equity: **none**  
Number of the Issuer's shares that could be purchased as result of option: **no options**  
Shares in the Issuer's subsidiaries/affiliates: **none**  
Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**  
Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **relative of Mr. Vladimir S. Lisin, Chairman of NLMK's Board of Directors.**  
An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**  
Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Stanislav E. Tsyrlin**

Year of birth: **1968**  
Education: **higher vocational**

Titles over the last 5 years:  
 Period: **2002 - 2003**  
 Organization: **The Boston Consulting Group**  
 Title: **Deputy Director**

Period: **2003 - 2004**  
 Organization: **LLC "Rumelco"**  
 Title: **Assistant of Chief Consultant**

Period: **2004 – 2006**  
 Organization: **NLMK**  
 Title: **Director for Management Strategy and System**

Period: **2006 – up to now**  
 Organization: **NLMK**  
 Title: **Vice-president, HR and Management System**

Share in the Issuer's stockholders' equity: **none**  
 Number of the Issuer's shares that could be purchased as result of option: **no options**  
 Shares in the Issuer's subsidiaries/affiliates: **none**  
 Number of the subsidiaries / affiliates' shares that could be purchased as result of option: **no options**  
 Kinship with any member of the Issuer's authorities and/or financial activity control bodies: **none**  
 An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**  
 Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

The person acting as the Issuer's sole executive body: **Alexey A. Lapshin**

### 5.3. Information on fees, privileges and / or refund of expenses to each management body of the Issuer.

#### **Remunerations paid to the members of Board of Directors and Management Board of NLMK for 2006**

rubles

No.	Remuneration type	Board of Directors	Management Board
1.	<b>Fees for discharge of duties</b>	-	-
2.	<b>Reimbursement of expenses</b>	<b>313 916</b>	-
3.	<b>Salary</b>	-	<b>26 507 510</b>
4.	<b>Bonuses by the results of 2006</b>		<b>7 080 000</b>
5.	<b>Bonus by the results of monthly activity</b>	-	<b>3 346 396</b>
6.	<b>Dividends</b>	-	<b>199 562</b>
7.	<b>Royalty</b>	<b>3 620 233</b>	<b>4 481 407</b>



Total	3 934 149	41 614 875
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*Fees can be paid and expenses related to performance of Board of Directors members' functions can be refunded to the members of the Board of Directors within the period of their duties execution. The rate, conditions and procedure of bonuses payment and expenses refund to the Board of Directors members are established by the Regulations on the Board of Directors members' remuneration approved by General Shareholders' Meeting.*

*Fees can be paid and expenses can be refunded to Members of the Management Board within the period of their duties execution. Conditions and procedure of fees payment and expenses refund are established by a contract concluded with members of the Management Board, in accordance with the Regulations on the Management Board members' remuneration, approved by the Company's Board of Directors upon presentation by the Personnel and Remunerations Committee.*

#### **5.4. Information on structure and competence of controlling authorities over the Issuer's economic activity.**

*The Audit Commission and Internal Audit Service exercise control over the financial and economic activities of the Company.*

##### **Audit Commission**

*The Audit Commission consists of five persons, is elected for a period of one year by the General Shareholders' Meeting and carries out its activities in accordance with the Regulations on Audit Commission approved by the General Shareholders' Meeting upon presentation by the Board of Directors.*

*The Regulations on Audit Commission govern the Audit Commission's procedures, powers of its members, the rate and procedure of fee payment and expense reimbursement to members of the Audit Commission.*

*The Company's Audit Commission members cannot simultaneously be members of the Company's Board of Directors or take up any other posts in managerial bodies of the Company.*

*Audit of financial and economic activities of the Company is based on yearly business results and is also conducted at any time upon initiative of the Company's Audit Commission and by the decision of the General Shareholders' Meeting, the Board of Directors or upon request of a shareholder (-s) owning in the aggregate at least ten per cent of the Company's voting shares.*

*The Audit Commission audits financial and economic activity of the Company in order to verify conformity of the financial statements information to norms and requirements of the existing legislation, internal regulatory documents, performs selective investigation of proofs attesting figures accounting and notes to financial statements.*

*Upon results of Company's financial and economic activity audit the Commission makes a report on authenticity of data contained in the Company's annual report, balance sheet, profit and loss statement.*

##### **Internal Audit Service**

*Internal Audit Service – Internal Audit Division (before 21.09.2006 – Audit Division), established under General Director's Order dd. 17.04.1997 for an indefinite period and is administratively subordinated to the sole executive body of the Company.*

*The Audit Division's competence covers:*

- *auditing of financial and economic, commercial and production activity of the Company's divisions;*
- *evaluation of processes related to acquisition, storage, protection and rational use of the Company's resources;*
- *detection of possible delinquencies, frauds and abuses on the part of the Company's officials*

- *and reporting the results to the Company's management;*
- *evaluation of internal control system as regards efficiency of operations in the normal course of business.*

*Management Board members are informed of the audit results according to their competency. The Board of Directors is informed in case of any material breach.*

*In the process of its activity the Internal Audit Service cooperates with auditing firms working for the Company on a contract basis.*

Information on the Issuer's internal document establishing rules aimed at prevention of insider information deployment:

***On September 12, 2005 NLMK's Board of Directors approved the Information policy of NLMK (Minutes No.133), which contains rules of insider information deployment prevention.***

Address in Internet with free access to full text of the Issuer's internal document establishing rules aimed at prevention of insider information deployment:

[www.nlmk.ru/about/company\\_documents/](http://www.nlmk.ru/about/company_documents/)

## **5.5. Information on members of the authorities controlling the Issuer's financial performance.**

### **Members of the Company's Audit Commission:**

***Valery S. Kulikov***

Year of birth: ***1963***

Education: ***higher vocational***

Titles over the last 5 years:

Period: ***2002 - 2006***

Organization: ***NLMK***

Title: ***Audit Director***

Period: ***2006 - up to now***

Organization: ***NLMK***

Title: ***Internal Audit Director***

Share in the Issuer's stockholders' equity: ***none***

Number of the Issuer's shares that could be purchased as result of option to buy: ***no options***

Shares in the Issuer's subsidiaries/affiliates: ***none***

Number of the subsidiaries / affiliates' shares that could be purchased as result of option to buy: ***no options***

Kinship with any member of the Issuer's authorities and/or financial activity control bodies, any member of the Board of Directors, any member of corporate body, any person being a single executive body: ***none***

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: ***no former or pending charges***

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: ***no such offices***

**Olga N. Savushkina**

Year of birth: **1951**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 - up to now**

Organization: **NLMK**

Title: **Chief Auditor**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option to buy: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option to buy: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies, any member of the Board of Directors, any member of corporate body, any person being a single executive body: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

**Galina I. Shipilova**

Year of birth: **1959**

Education: **higher vocational**

Titles over the last 5 years:

Period: **2002 – 2006**

Organization: **NLMK**

Title: **Chief Auditor**

Period: **2006 – up to now**

Organization: **NLMK**

Title: **Head of Tax Audit Bureau**

Share in the Issuer's stockholders' equity: **none**

Number of the Issuer's shares that could be purchased as result of option to buy: **no options**

Shares in the Issuer's subsidiaries/affiliates: **none**

Number of the subsidiaries / affiliates' shares that could be purchased as result of option to buy: **no options**

Kinship with any member of the Issuer's authorities and/or financial activity control bodies, any member of the Board of Directors, any member of corporate body, any person being a single executive body: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

***Natalia V. Kurasevich***

Year of birth: **1961**

Education: ***higher vocational***

Titles over the last 5 years:

Period: **2002 - 2006**

Organization: **NLMK**

Title: ***Chief auditor***

Share in the Issuer's stockholders' equity: ***none***

Number of the Issuer's shares that could be purchased as result of option to buy: ***no options***

Shares in the Issuer's subsidiaries/affiliates: ***none***

Number of the subsidiaries / affiliates' shares that could be purchased as result of option to buy: ***no options***

Kinship with any member of the Issuer's authorities and/or financial activity control bodies, any member of the Board of Directors, any member of corporate body, any person being a single executive body: ***none***

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: ***no former or pending charges***

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: ***no such offices***

***Officers of Internal Audit Service:***

***Total number of employees of Audit Division, NLMK: 90***

***Key staff of Internal Audit Division, NLMK:***

***Valery S. Kulikov***

Year of birth: **1963**

Education: ***higher vocational***

Titles over the last 5 years:

Period: **2002 - 2006**

Organization: **NLMK**

Title: ***Audit Director***

Period: **2006 - up to now**

Organization: **NLMK**

Title: ***Internal Audit Director***

Share in the Issuer's stockholders' equity: ***none***

Number of the Issuer's shares that could be purchased as result of option to buy: ***no options***

Shares in the Issuer's subsidiaries/affiliates: ***none***

Number of the subsidiaries / affiliates' shares that could be purchased as result of option to buy: ***no options***

Kinship with any member of the Issuer's authorities and/or financial activity control bodies, any member of the Board of Directors, any member of corporate body, any person being a single

executive body: **none**

An administrative action against this person for any offence in the area of finance, taxes and duties, security market or a criminal liability (criminal record) for any economic crimes or offence against state: **no former or pending charges**

Managerial offices held in any commercial organizations in the period, when any bankruptcy proceedings were brought against these organizations in line with the Russian Federation insolvency (bankruptcy) legislation: **no such offices**

## 5.6. Information on fees, privileges and / or expenses reimbursement to each body controlling the Issuer's financial performance.

Remunerations paid to the members of the Company's Audit Commission for 2006:

Salary (rubles): **2 788 396**

Incapacity benefits (rubles): **53 451**

Bonuses for monthly activity (rubles): **699 862**

Bonuses by the results of 2006 operation (rubles): **688 986**

*The amount and procedure of remuneration and compensation payment to the Audit Commission is established by Regulations on Audit Commission Member's Remuneration and Compensation approved by the Extraordinary Shareholders' Meeting held on December 3, 2004 (Minutes No.20).*

## 5.7. Information on staff and summarized data on education and list of personnel (employees) of the Issuer, as well as on changes in the number of personnel (employees) of the Issuer.

Average number of employees (staff) of the Issuer inclusive of employees (staff) in his branches and representative offices, as well as allocations to salaries and social support:

<i>Description</i>	<i>2006</i>	<i>Q1 2007</i>
Average staff, persons	37 486	35 384
Amount of cash allocated to remuneration of labor (salaries and wages), rubles	6 779 788 336	2 110 664 165
Amount of cash allocated to social security (payments of social nature), rubles	165 595 097	52 050 784
	<i>As of 01.01.2007</i>	<i>As of 01.04.2007</i>
Percentage of the Issuer's employees who have higher professional education, %	23,28	23,25

*Changes in staff number within the reporting period were not significant for the Issuer.*

*NLMK's employees established a Trade Union branch of Mining and Steel-making trade union of Russia.*

## 5.8. Information on any commitments of the Issuer to personnel (employees) related to the possibility of their shareholding in the Issuer's stockholders' capital (unit fund).

*There are no agreements or commitments of the Issuer related to possibility of its employees having a share in its authorized capital.*

*The Issuer did not grant any options to its employees.*

*The possibility of granting such an option was not considered by the Company.*

## VI. Information on participants (shareholders) of the Issuer and interested-party transactions concluded by the Issuer.

### 6.1. Information on the total number of the Issuer's shareholders (participants).

Number of persons registered in shareholders register as of the date of reporting quarter end – **9 805**, including:

nominee shareholders – **11**.

### 6.2. Information on the Issuer's shareholders owning not less than 5 per cent of its stockholders' capital (unit fund) or not less than 5 per cent of its common stock as well as information on shareholders owning not less than 20 per cent of its stockholders' capital (unit fund) or not less than 20 per cent of its common stock.

*Shareholders owning not less than 5 per cent of the Issuer's stockholders' capital or not less than 5 per cent of its common stock as of the date of the reporting quarter end:*

6.2.1. Full name: **VEFT ENTERPRISES LIMITED**

Abbreviated name: **VEFT ENTERPRISES LIMITED**

TIN: -

Address: **1066, 20, Vas. Friderikis Street, El Greco House, office 104, Nicosia, Cyprus**

Share in the Issuer's chartered capital: **75,64%**

Share of the Issuer's common stock: **75,64%**

Shareholders (participants) having over 20 per cent of chartered capital of the Issuer's shareholder or over 20 per cent of his common stock:

Full name: **FLETCHER INDUSTRIAL EQUITY FUND LIMITED**

Abbreviated name: **FLETCHER INDUSTRIAL EQUITY FUND LIMITED**

TIN: -

Address: **Winterbotham Place, Marlborough & Queen Streets, Nassau, Bahamas**

Share in the Issuer's shareholder chartered capital: **100%**

Share of the Issuer's shareholder common stock: **100%**

Share in the Issuer's chartered capital: **none**

Share of the Issuer's common stock: **none**

6.2.2. Full name: **Limited-liability investment & finance company «LKB-INVEST»**

Abbreviated name: **LLC IFC «LKB-INVEST»**

TIN: **7705708194**

Address: **18-1, ul. Bakhrushina, Moscow, Russia**

Share in the Issuer's chartered capital: **7.52%**

Share of the Issuer's common stock: **7.52%**

Shareholders (participants) having over 20 per cent of chartered capital of the Issuer's shareholder or over 20 per cent of his common stock:

Full name: **Limited-liability company "RUMELCO"**  
Abbreviated name: **LLC "RUMELCO"**  
TIN: **7727160666**  
Address: **bld. 1, 18, ul. Bakhrushina, Moscow, Russia**  
Share in the Issuer's shareholder chartered capital: **99,9988 %**  
Share in the Issuer's chartered capital: **none**  
Share of the Issuer's common stock: **none**

**Nominee shareholder of the issuer's shares making up not less than 5% of the issuer's authorized capital or not less than 5% of its common shares as of the end date of the reporting quarter:**

Full trade name of a nominee shareholder: **"DEUTSCHE BANK" LIMITED LIABILITY COMPANY**  
Abbreviated trade name of the nominee shareholder: **LLC "DEUTSCHE BANK"**  
Address: **4, ul. Schepkina, 129090 Moscow, Russia**  
Phone: **(495)-797-50-00**  
Fax: **(495)-797-50-17**  
E-mail: **db.moscow@db.com**

License for professional activity in the security market:

**License of a professional participant of the security market for depositary activity**  
License No.: **177-05616-000100**  
Date of issue: **4 September 2001.**  
Validity period: **unlimited**  
Licensing authority: **Federal Security Market Commission**

Number of the issuer's common shares, registered in the issuer's shareholder register in the nominee shareholder's name (pieces): **500 193 660**

### **6.3. Information on the state stake or municipal share in stockholders' capital (unit fund) of the Issuer and availability of a special right ("golden share").**

The state stake (federal stake, stake of the RF units) in the stockholders' capital equals to: **0.000267%**  
Name of the state stake administrator: **Territorial Administration of the Federal Agency for Federal Property Management in the Lipetsk Region**  
Legal address of the state stake administrator: **2, ul. Skorokhodova, Lipetsk 398019 Russia**

Availability of special right for participation of the Russian Federation, units of the Russian Federation, municipal units in the Issuer's control (golden share): **none**

### **6.4. Data on limitations in participation in the authorized capital (unit trust) of the issuer.**

**There are no limitations for the participation in the issuer's authorized capital, including in terms of quantity and/or total cost of the issuer's shares held by one shareholder, number of votes provided to a single shareholder, are not set by the Company Charter.**

**There are no other limitations related to participation in the issuer's authorized capital.**

6.5. Data on changes in participation of the issuer's shareholders (participants) owning not less than 5 % of its authorized capital (unit trust) or not less than 5% of its common shares.

*List of shareholders (participants) owning not less than 5 % of NLMK's authorized capital as of the date of compiling the list of persons entitled to participate in each general shareholders' meeting held for the last 5 completed financial years:*

*Shareholders entitled to participate in the Extraordinary General Shareholders' Meeting as of April 6, 2002 (date of list with persons entitled to participate in the General Shareholders' Meeting – February 13, 2002):*

No.	Name of a shareholder	Share in chartered capital, %
1.	KM TECHNOLOGIES (OVERSEAS) LIMITED	19,99
2.	SILENER MANAGEMENT LTD	18,98
3.	STAHL-UND METALLUNTERNEHMENSHOLDING S.A.	14,43
4.	VEFT ENTERPRISES LIMITED	10,81
5.	MINING & SMELTING COMPANY "NORILSK NICKEL"	9,00
6.	CASTELLE INVESTMENTS LIMITED	6,62
7.	RADLEY ENTERPRISES LIMITED	5,51
8.	PROSUN CO. LIMITED	5,03

*Shareholders entitled to participate in the Annual General Shareholders' Meeting as of June 28, 2002 (date of compiling a list of persons entitled to participate in the General Shareholders' Meeting – May 13, 2002):*

No.	Name of a shareholder	Share in chartered capital, %
1.	SILENER MANAGEMENT LTD	18,98
2.	VEFT ENTERPRISES LIMITED	10,81
3.	CASTELLA INVESTMENTS LIMITED	10,05
4.	LIMTAN INVESTMENTS LIMITED	9,99
5.	CLOSED JOINT-STOCK COMPANY "LKB-INVEST"	9,01
6.	ULTIMEX TRADING LIMITED	8,29
7.	RADLEY ENTERPRISES LIMITED	8,23
8.	OMNILAX HOLDINGS LIMITED	7,59
9.	AHERON INVESTMENTS LIMITED	7,59
10	PROSUN CO. LIMITED	5,03

*Shareholders entitled to participate in the Annual General Shareholders' Meeting as of June 27, 2003 (date of list with persons entitled to participate in the General Shareholders' Meeting – May 12, 2003):*

No.	Name of a shareholder	Share in chartered capital, %
1.	SILENER MANAGEMENT LTD	18,98
2.	VEFT ENTERPRISES LIMITED	12,30
3.	CASTELLA INVESTMENTS LIMITED	10,05
4.	LIMTAN INVESTMENTS LIMITED	9,99
5.	ULTIMEX TRADING LIMITED	8,28
6.	RADLEY ENTERPRISES LIMITED	8,23
7.	OMNILAX HOLDINGS LIMITED	7,59
8.	AHERON INVESTMENTS LIMITED	7,59
9.	CLOSED JOINT-STOCK COMPANY "LKB-INVEST"	7,51
10.	PROSUN CO. LIMITED	5,03



**Shareholders entitled to participate in the Extraordinary General Shareholders' Meeting as of April 23, 2004 (date of list with persons entitled to participate in the General Shareholders' Meeting – February 24, 2004):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	<b>SILENER MANAGEMENT LIMITED</b>	<b>18,98</b>
2.	<b>CASTELLA INVESTMENTS LIMITED</b>	<b>15,94</b>
3.	<b>ULTIMEX TRADING LIMITED</b>	<b>15,15</b>
4.	<b>VEFT ENTERPRISES LIMITED</b>	<b>12,31</b>
5.	<b>RADLEY ENTERPRISES LIMITED</b>	<b>8,23</b>
6.	<b>CLOSED JOINT-STOCK COMPANY "LKB-INVEST"</b>	<b>7,52</b>
7.	<b>PROSUN CO. LIMITED</b>	<b>5,03</b>

**Shareholders entitled to participate in the Annual General Shareholders' Meeting as of June 25, 2004 (date of list with persons entitled to participate in the General Shareholders' Meeting – May 07, 2004):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	<b>SILENER MANAGEMENT LIMITED</b>	<b>18,98</b>
2.	<b>CASTELLA INVESTMENTS LIMITED</b>	<b>15,94</b>
3.	<b>ULTIMEX TRADING LIMITED</b>	<b>15,15</b>
4.	<b>VEFT ENTERPRISES LIMITED</b>	<b>12,31</b>
5.	<b>RADLEY ENTERPRISES LIMITED</b>	<b>8,23</b>
6.	<b>CLOSED JOINT-STOCK COMPANY "LKB-INVEST"</b>	<b>7,52</b>
7.	<b>ANWORTH INVESTMENTS LIMITED</b>	<b>5,20</b>
8.	<b>HENFORD INVESTMENTS LIMITED</b>	<b>5,20</b>
9.	<b>SOBEVAL MANAGEMENT LIMITED</b>	<b>5,14</b>

**Shareholders entitled to participate in the Extraordinary General Shareholders' Meeting as of December 3, 2004 (date of list with persons entitled to participate in the General Shareholders' Meeting – October 15, 2004):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	<b>SILENER MANAGEMENT LIMITED</b>	<b>18,98</b>
2.	<b>CASTELLA INVESTMENTS LIMITED</b>	<b>15,94</b>
3.	<b>MEROBEL INVESTMENTS LIMITED</b>	<b>15,54</b>
4.	<b>ULTIMEX TRADING LIMITED</b>	<b>15,15</b>
5.	<b>VEFT ENTERPRISES LIMITED</b>	<b>12,31</b>
6.	<b>RADLEY ENTERPRISES LIMITED</b>	<b>8,23</b>
7.	<b>CLOSED JOINT-STOCK COMPANY "LKB-INVEST"</b>	<b>7,52</b>

**Shareholders entitled to participate in the Annual General Shareholders' Meeting as of May 20, 2005 (date of list with persons entitled to participate in the General Shareholders' Meeting – April 4, 2005):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	<b>SILENER MANAGEMENT LIMITED</b>	<b>18,98</b>
2.	<b>ULTIMEX TRADING LIMITED</b>	<b>18,15</b>
3.	<b>VEFT ENTERPRISES LIMITED</b>	<b>16,31</b>
4.	<b>CASTELLA INVESTMENTS LIMITED</b>	<b>15,94</b>
5.	<b>MEROBEL INVESTMENTS LIMITED</b>	<b>14,70</b>
6.	<b>CLOSED JOINT-STOCK COMPANY "LKB-INVEST"</b>	<b>7,52</b>

**Shareholders entitled to participate in the Extraordinary General Shareholders' Meeting as of September 26, 2005 (date of list with persons entitled to participate in the General Shareholders' Meeting – August 23, 2005):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	SILENER MANAGEMENT LIMITED	18,98
2.	MEROBEL INVESTMENTS LIMITED	18,70
3.	ULTIMEX TRADING LIMITED	18,15
4.	VEFT ENTERPRISES LIMITED	16,31
5.	CASTELLA INVESTMENTS LIMITED	15,94
6.	CLOSED JOINT-STOCK INVESTMENT-FINANCIAL COMPANY "LKB-INVEST"	7,52

**Shareholders entitled to participate in the Extraordinary General Shareholders' Meeting as of November 16, 2005 (date of list with persons entitled to participate in the General Shareholders' Meeting – October 15, 2005):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	SILENER MANAGEMENT LIMITED	18,98
2.	VEFT ENTERPRISES LIMITED	16,31
3.	MEROBEL INVESTMENTS LIMITED	16,19
4.	CASTELLA INVESTMENTS LIMITED	15,94
5.	ULTIMEX TRADING LIMITED	14,91
6.	CLOSED JOINT-STOCK INVESTMENT-FINANCIAL COMPANY "LKB-INVEST"	7,52

**Shareholders entitled to participate in the Annual General Shareholders' Meeting as of June 06, 2006 (date of list with persons entitled to participate in the General Shareholders' Meeting – April 18, 2006):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	SILENER MANAGEMENT LIMITED	18,98
2.	MEROBEL INVESTMENTS LIMITED	16,19
3.	CASTELLA INVESTMENTS LIMITED	15,94
4.	ULTIMEX TRADING LIMITED	14,91
5.	VEFT ENTERPRISES LIMITED	9,61
6.	DEUTSCHE BANK TRUST COMPANY AMERICAS	7,92
7.	CLOSED JOINT-STOCK INVESTMENT-FINANCIAL COMPANY "LKB-INVEST"	7,52

**Shareholders entitled to participate in the Extraordinary General Shareholders' Meeting as of September 29, 2006 (date of list with persons entitled to participate in the General Shareholders' Meeting – August 15, 2006):**

<b>No.</b>	<b>Name of a shareholder</b>	<b>Share in chartered capital, %</b>
1.	SILENER MANAGEMENT LIMITED	18,98
2.	MEROBEL INVESTMENTS LIMITED	16,19
3.	CASTELLA INVESTMENTS LIMITED	15,94
4.	ULTIMEX TRADING LIMITED	14,91
5.	VEFT ENTERPRISES LIMITED	9,61
6.	DEUTSCHE BANK TRUST COMPANY AMERICAS	8,24
7.	LIMITED LIABILITY INVESTMENT & FINANCE COMPANY "LKB-INVEST"	7,52

## 6.6. Information on interested-party transactions concluded by the issuer.

**NLMK's interested-party transactions, Q1 2007**

Description	Reporting period
Total number and total volume of interested-party transactions in monetary terms concluded in the reporting period, which required approval by the issuer's authorized managerial body, no./rubles	7 / 13 802 990 000
Number and volume of interested-party transactions in monetary terms concluded in the reporting period approved by the issuer's general shareholders' meeting, no./rubles	none
Number and volume of interested-party transactions in monetary terms concluded in the reporting period approved by the issuer's Board of Directors, no./rubles	7 / 13 802 990 000
Number and volume of interested-party transactions in monetary terms concluded in the reporting period, which required approval but have not been approved by the issuer's authorized managerial body, no./rubles	none

Transactions of interest, the price of which makes 5 or more per cent of the Company's assets book value determined upon financial statements as of the last reporting date before the transaction conclusion: ***No such transactions.***

**6.7. Information on accounts receivable amount.**

*Structure of the Issuer's accounts receivable as of 31.12.2006*

Type of accounts receivable	Maturity date	
	less than 1 year	over 1 year
<b>Accounts receivable of buyers and customers</b>	<b>14 088 940 626</b>	<b>83 401 717</b>
<i>including past-due</i>	<i>33 126 886</i>	-
<b>Accounts receivable under notes receivable</b>	-	-
<i>including past-due</i>	-	-
<b>Accounts receivable of participants (founders) upon contributions into chartered capital</b>	-	-
<i>including past-due</i>	-	-
<b>Accounts receivable related to advance payments made*</b>	<b>4 419 157 243</b>	<b>683 331 897</b>
<i>including past-due</i>	<i>397 677 414</i>	-
<b>Other accounts receivable</b>	<b>7 184 386 198</b>	<b>43 231 241</b>
<i>including past-due</i>	<i>5 660 093</i>	-
<b>Total</b>	<b>25 692 484 067</b>	<b>809 964 855</b>
<i>including past-due</i>	<i>436 464 393</i>	-

*rubles*

\* - Taking into account advance payments made on off-balance assets for which the title is transferred at the moment of long-term obligations fulfillment according to the contracts concluded.

***Debtors with a share of not less than 10% of total accounts receivable as of 31.12.2006:***

1. Name: **MOORFIELD COMMODITIES COMPANY**

Address: **Huntly, Scotland, Gordon Street, Huntly Business-centre, SUIT20MO**

Accounts receivable: **3 706 870 thousand rubles**

including:

past-due accounts receivable: *none*

**2. Name: STEELCO MEDITERIAN TRADING LTD**

Address: **10A-C, Orpheos street, Nicosia, Cyprus**

Accounts receivable: **4 104 608 thousand rubles**

inclusive of:

past-due accounts receivable: *none*

**Structure of NLMK's accounts receivable as of 31.03.2007**

<b>Type of accounts receivable</b>	<b>Maturity date</b>	
	<b>less than 1 year</b>	<b>over 1 year</b>
<b>Accounts receivable of buyers and customers</b>	<b>15 903 385 188</b>	<b>60 094 646</b>
<b>including past-due</b>	<b>163 656 065</b>	<b>-</b>
<b>Accounts receivable under notes receivable</b>	<b>-</b>	<b>-</b>
<b>including past-due</b>	<b>-</b>	<b>-</b>
<b>Accounts receivable of participants (founders) upon contributions to chartered capital</b>	<b>-</b>	<b>-</b>
<b>including past-due</b>	<b>-</b>	<b>-</b>
<b>Accounts receivable related to advance payments made*</b>	<b>5 571 680 212</b>	<b>1 391 514 703</b>
<b>including past-due</b>	<b>481 106 688</b>	<b>-</b>
<b>Other accounts receivable</b>	<b>5 194 614 006</b>	<b>71 487 416</b>
<b>including past-due</b>	<b>8 890 958</b>	<b>-</b>
<b>Total</b>	<b>26 669 679 406</b>	<b>1 523 096 765</b>
<b>including past-due</b>	<b>653 653 711</b>	<b>-</b>

*rubles*

\* Taking into account advance payments made on off-balance assets under which title is transferred in case of long-term obligations fulfillment according to contracts concluded.

**Debtors with a share of not less than 10% of total accounts receivable as of 31.03.2007:**

**1. Name: STEELCO MEDITERIAN TRADING LTD**

Address: **10A-C, Orpheos street, Nicosia, Cyprus**

Accounts receivable: **6 224 247 thousand rubles**

including:

past-due accounts receivable: *none*

**2. Name: TUSCANY INTERTRADE (UK)**

Address: **24, Great King Street, Edinburgh, H3 6QN, Great Britain**

Accounts receivable: **3 471 655 thousand rubles**

including:

past-due accounts receivable: *none*

## **VII. Accounting of the issuer and other financial information.**

### **7.1. Annual accounting of the issuer.**

**NLMK's annual financial statements for 2006, prepared under the requirements of the Russian Law, are enclosed to this Quarterly Report.**

**The annual financial statements cover:**

- **Balance sheet – Form No.1**
- **Income statement (profit and loss statement) – Form No.2**
- **Statement of changes in equity – Form No.3**
- **Cash flow statement – Form No.4**
- **Attachments to balance sheet – Form No.5**
- **Explanatory note**
- **Auditor’s opinion**

## **7.2. Quarterly accounting of the issuer for the last completed reporting quarter.**

**NLMK’s quarterly financial statements for Q1 2007 prepared according to the requirements of the Russian Law, are attached to the present Quarterly Report.**

**Quarterly financial statements cover:**

- **Balance Sheet – Form No.1;**
- **Income Statement (profit and loss statement) – Form No. 2.**

## **7.3. Consolidated Financial Statements of the Issuer for the last completed financial year.**

**The Company does not issue consolidated financial statements according to legal requirements of the Russian Federation.**

**At the same time the Company issues consolidated financial statements according to US Generally Accepted Accounting Principles (US GAAP). NLMK’s consolidated financial statements for 2005, prepared according to US Generally Accepted Accounting Principles, can be found at NLMK’s website in the Internet.**

Website where Consolidated Financial Statements of the Issuer issued under US GAAP can be found:

[www.nlmk.ru/investor\\_centre/Financial\\_Highlights/](http://www.nlmk.ru/investor_centre/Financial_Highlights/)

## **7.4. Information on the Issuer’s accounting policy.**

**Provision on Accounting Policy approved by NLMK’s Order No. 977 dd. 29.12.2006 г. № 977 “On accounting policy of NLMK for the purposes of accounting and taxation” is enclosed to this report.**

## **7.5. Information on total exports as well as on the share of exports in total sales.**

<b>Index</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Q1 2007</b>
<b>Proceeds from sales of products, works, services (less VAT, excises and similar obligatory payments), total (thousand rubles)</b>	<b>126 102 009*</b>	<b>119 220 689*</b>	<b>140 301 567</b>	<b>36 526 665</b>
<b>Proceeds from export sales of products, works, services (thousand rubles)</b>	<b>83 216 331</b>	<b>70 872 590</b>	<b>81 150 771</b>	<b>23 276 067</b>
<b>Export share in total sales proceeds (%)</b>	<b>66,0</b>	<b>59,4</b>	<b>57,8</b>	<b>63,7</b>

*\* - the proceeds are calculated in relation with reclassification of income and expenses from sale of in-house produced inventories*

## 7.6. Information on real estate value and material changes in the Issuer's property as of the last complete financial year closure.

*As of the reporting quarter end:*

- *total initial (replacement) value of buildings, structures, land as well as real estate in the process of state registration accounted for in NLMK's balance sheet amounted to 18 846 052 643 rubles;*
- *accrued amortization 9 217 705 215 rubles.*

*There were no significant changes in the Company's property related to acquisition or disposal (retirement) of property after 31.12.2006.*

## 7.7. Information on the Issuer's participation in any legal procedures if this participation could have significantly affected its financial performance.

*Over the last three years there haven't been any legal procedures, the Company's participation in which could affect its financial performance.*

## VIII. Additional information on the Issuer and its securities placed.

### 8.1. Additional information on the Issuer.

#### 8.1.1. Information on the amount, structure of the stockholders' capital (unit fund) of the Issuer.

Amount of the Issuer's stockholders' capital (rubles) as of the date of the reporting quarter closure:  
**5 993 227 240**

Structure of the issuer's authorized capital as of the date of the reporting quarter closure:

Common stock:

Total volume at par value (rubles): **5 993 227 240**

Share in the authorized capital: **100 %**

Preferred stock:

Total volume at par value (rubles): **0**

Share in the authorized capital: **0 %**

***Part of NLMK's shares circulates outside the Russian Federation in accordance with foreign law related to foreign Issuers' securities, representing NLMK's shares.***

Category (type) of shares, circulating outside the Russian Federation: ***common registered book-entry shares***

Proportion of shares, circulating outside of the Russian Federation, to the total quantity of shares of the corresponding category (type): ***8.35 %***

Name of the foreign Issuer, whose securities represent NLMK's shares of a corresponding category (type): ***Deutsche Bank Trust Company Americas***

Domicile of the foreign Issuer, the securities of which represent NLMK's shares of a corresponding category (type): ***60 Wall Street, New York, NY 10005, USA; 23 Great Winchester Street, London EC2P 2AX, UK***

Summary of the issue program (type of the program) related to the foreign Issuer's securities, representing NLMK's shares of the corresponding category (type): **Global Depositary Shares were issued in accordance with Rule 144A, as well as Regulation S of the US Securities Act. Each Depositary Share represents 10 common shares of NLMK.**

Information on permits issued by federal executive authorities for the Issuer's shares of a corresponding category (type) admission to circulation outside of the Russian Federation: **In accordance with Notification of Federal Securities Market Service of Russia of permit issue for NLMK's securities circulation outside of the Russian Federation dd. 03.05.2005 No.05-BF-03/6941, circulation of NLMK's common registered book-entry shares outside of the Russian Federation has been permitted.**

Name of the foreign trading organizer (-s), which handles circulation of a foreign Issuer's securities, representing the Issuer's shares: **London Stock Exchange plc**

### **8.1.2. Information on changes in stockholders' capital amount (unit fund) of the Issuer.**

**Over the period from January 1, 2002 till December 31, 2003 NLMK did not issue any securities that would result in change of the stockholders' capital.**

**In Q2 2004 stockholders' capital of the Company changed due to additional issue of common registered book-entry stock.**

Amount of the Issuer's stockholders' capital (rubles) as of 01.04.2004: **5 987 240**

Breakdown of stockholders' capital as of 01.04.2004:

Common stock:

Total at par value (rubles): **5 987 240**

Share in stockholders' capital: **100 %**

Preferred shares:

Total at par value (rubles): **0**

Share in stockholders' capital: **0 %**

Management body of the Issuer which made a decision to change the stockholders' capital: **Board of Directors of NLMK**

Date and number of the management body's Minutes of the meeting at which a decision to change stockholders' capital was taken: **05.02.2004, Minutes No. 106.**

Amount of the Issuer's stockholders' capital (rubles) as of 30.06.2004: **5 993 227 240**

Breakdown of stockholders' capital as of 30.06.2004:

Common stock:

Total at par value (rubles): **5 993 227 240**

Share in stockholders' capital: **100 %**

Preference shares:

Total at par value (rubles): **0**

Share in stockholders' capital: **0 %**

**Since 30.06.2004 up to now the amount of stockholders' capital did not change.**

### **8.1.3. Information on generation and use of the Issuer's reserve fund as well as other funds.**

**In accordance with the Company Charter, NLMK generates a reserve fund of not less than 5 percent of its stockholders' equity. Size of the reserve fund shall be determined by the Board of Directors' decision. The Company's reserve fund is generated by mandatory annual allocations.**

**Annual allocations are not less than 5 (five) per cent of net profit before it achieves the size of a reserve fund, determined by the Board of Directors according to the Company's Charter.**

**As of the date of the reporting quarter end, NLMK's reserve fund amounted to 299 661 362 rubles or 5% of its chartered capital.**

**The reserve fund was not used within the reporting quarter.**

**NLMK doesn't generate any other funds at the expense of its net profit.**

#### **8.1.4. Information on procedure of convocation and conduction of the Issuer's supreme managerial body meeting.**

The Issuer's supreme managerial body:

**The supreme governing body of the Company is the General Shareholders' Meeting.**

Procedure of shareholders (participants) notification on convocation of General Shareholders' Meeting:

**The notification on convocation of General Shareholders' Meeting is brought to notice of the shareholders under decision of the Board of Directors by publication of the information in newspaper «Gazeta», newspaper «Metallurg» and at NLMK's website in the Internet. The notification on General Shareholders' Meeting convocation shall be published not later than 30 days prior to the date of the Meeting, if a longer term is not envisaged by law.**

**The shareholders owning one and more percent of the Company's shares as well as nominal shareholders are informed of the meeting by mail. Written notifications are sent by registered mail within the period stated in this clause.**

Persons (authorities) entitled to summon (demand) an Extraordinary Shareholders' Meeting as well as the procedure of raising such a demand:

**The Extraordinary Shareholders' Meeting is held upon decision of the Board of Directors on the basis of its own initiative, demand of the Auditing Commission, the Company's Auditor as well as shareholders (shareholder) owning not less than 10 per cent of the Company's voting shares as of the date of the demand. The Extraordinary Shareholders' Meeting is summoned by the Board of Directors and must be held within 40 days from the date of a/m demand made by Auditing Commission, the Company's Auditor or shareholders in respect of the Extraordinary Shareholders' Meeting holding. In case of the Company's Board of Directors members election on the agenda of the Extraordinary Shareholders' Meeting as well as in case the Board of Directors liable to make a decision on holding of the Extraordinary Shareholders' Meeting under the Federal Act "On joint-stock companies" to elect the Board members, such a Shareholders' Meeting shall be held within 70 days from the date of corresponding demand or decision of the Board to hold the Meeting.**

**A request for Extraordinary Meeting holding shall contain worded issues to be included into the Meeting agenda. The request for holding of Extraordinary Meeting can contain worded decisions on each of these issues as well as suggestions on the Shareholders' Meeting conduction form.**

**The Board of Directors is not entitled to change wording of agenda issues, wording of decisions on such issues and to change the suggested form of Extraordinary Shareholders' Meeting being convened upon the request of the Auditing Commission, the Company's Auditor or shareholders (shareholder) owing not less than 10 percent of the Company's voting shares.**

**Should request for the Extraordinary Meeting be submitted by shareholders (shareholder) it shall include the name of shareholders (shareholder), requesting the convocation, quantity and type (category) of the shares belonging to them (him/her).**

**The request for the Extraordinary Meeting shall be signed by the persons (person) who require Extraordinary Meeting convocation.**

**The Board of Directors shall make a decision on the Extraordinary Meeting convocation or on refusal to call it within five days from the date of the request submission by the Auditing Commission, the Company's Auditor or shareholders (shareholder) owning not less than 10**



percent of the Company's voting shares.

**Decision on refusal to convene the Extraordinary Shareholders' Meeting upon the request of the Auditing Commission, the Company's Auditor or shareholders (shareholder) owning not less than 10 percent of the Company's voting shares can be made in case:**

- the procedure of the request submission on convocation of the General Shareholders' Meeting has been violated;**
- shareholders (shareholder) demanding the Extraordinary Shareholders' Meeting summoning do not possess the required quantity of the Company's voting shares;**
- none of the issues put forward to be included into the Extraordinary Meeting agenda refers to its competence and (or) corresponds to requirements of the Federal Act "On joint-stock companies" and other legal acts of the Russian Federation.**

**Decision of the Board of Directors on the Extraordinary Meeting summoning or justified decision to refuse to call it is sent to persons who requested its convocation by registered mail with notice of receipt not later than 3 days from the date of taking such a decision.**

**Should the decision on the Extraordinary meeting convocation not be made or should the decision to refuse to call the Extraordinary Meeting be made within the stated period by the Board of Directors, the Extraordinary Meeting can be summoned by persons or bodies demanding its convocation.**

The procedure of the Meeting date determination:

**Annual Shareholders' Meeting is convened not earlier than in two months and not later than in six months after the financial year closure. Besides, Extraordinary Shareholders' Meeting can be summoned.**

**Date, time and venue of the General Shareholders' Meeting, the procedure of its preparation and conduction shall be determined by the Board of Directors under provisions of the Company Charter and "Regulations on holding General Meeting of Shareholders".**

Persons entitled to suggest issues to be included in the agenda of the Issuer's management body meeting and the procedure of such suggestions submission:

**Shareholders (a shareholder), owning not less than 2 per cent of the Company's voting shares in aggregate are entitled to suggest issues to be included in the agenda of Annual General Shareholders' Meeting and put forward candidate members to the Company's Board of Directors, Auditing Commission and Returning board, the number of which cannot exceed the number of respective body members as well as candidate General Director. Such suggestions should be received by the Company not later than in 60 days after financial year closure.**

**In case of the Company's Board of Directors election being on the agenda of the Extraordinary Shareholders' Meeting, shareholders (a shareholder) owning not less than 2 per cent of the Company's voting shares in aggregate are entitled to propose candidate members to the Board of Directors the number of which cannot exceed the number of the Company's Board. Such proposals must be received by the Company not later than 30 days prior to the date of the Extraordinary Shareholders' Meeting.**

**Suggestions on issues inclusion in the General Shareholders' Meeting agenda and suggestions on candidates shall be made in writing, shall indicate the name of shareholders (shareholder), requesting it, the quantity and type (category) of the shares belonging to them (him/her) and shall be signed.**

**A proposal to include issues in the agenda of the General Shareholders' Meeting shall contain wording of each proposed issue, while a proposal on candidates shall contain name of each proposed candidate, name of body to which that candidate is stated, other data on him/her provided for by internal documents of the Company as well as written consent of a candidate to take the title. A proposal on entering of issues into agenda of the General Shareholders' Meeting can include wording of decision on each proposed issue.**

**The Company's Board of Directors is liable to consider received proposals and make a decision on inclusion of them in the agenda of the General Shareholders' Meeting or refusal to include into the agenda not later than 5 days after deadlines stated in the Company Charter for inclusion of proposals in the agenda of an Annual General Shareholders' Meeting and Extraordinary General Shareholders' Meeting. An issue proposed by shareholders (a shareholder) is subject to be included in the agenda of the General Shareholders' Meeting as well as proposed candidates are**

*subject to be included in the voting list for election to respective bodies of the Company except if:*

- *shareholders (a shareholder) have violated terms established by the Company Charter;*
- ☒ *shareholders (a shareholder) do not own the required number of the Company's voting shares as per the Company Charter;*
- ☒ *a proposal is not in conformity with the requirements of the Company Charter;*
- ☒ *an issue to be included in the agenda of the General Shareholders' Meeting is not within its competence and (or) is not in conformity with the requirements of the Federal Act "On joint-stock companies" and other legal acts of the Russian Federation.*

*Justified decision of the Company's Board of Directors on refusal to include the proposed issue in the agenda of the General Shareholders' Meeting or a candidate shall be sent to shareholders (shareholder) who put forward the issue or candidate not later than three days from the date of its receipt.*

*The Board of Directors is not entitled to change the wording of the agenda issues, wording of decisions on such issues of the General Shareholders' Meeting.*

*Besides the issues proposed to be included in the agenda of the General Shareholders' Meeting as well as in case of absence of such issues, absence or insufficient quantity of candidates proposed by shareholders to form a corresponding body, the Board of Directors has the right to include issues in the agenda or candidates in the voting list of the General Shareholders' Meeting at its discretion.*

Persons entitled to get acquainted with information (materials) presented for supreme management body meeting preparation and conduction as well as procedure of getting acquainted with such information (materials):

*Persons having the right to participate in the General Shareholders' Meeting can receive information (materials) subject to presentation during preparation of General Shareholders' Meeting for getting acquainted in the room of the Company's executive body and at places the addresses of which are stated in the announcement on General Shareholders' Meeting holding within 20 days and in case of General Shareholders' Meeting the agenda of which includes an issue on the Company's restructuring, within 30 days prior to the General Shareholders' Meeting.*

*Persons entitled to participate in the Company's General Shareholders' Meeting can receive copies of the stated documents upon request sent in writing to the Company's executive body subject to payment.*

Procedure of publication (disclosure to the issuer's shareholders (participants)) of decisions taken by the issuer's supreme managerial body and voting results:

*Decisions taken by the General Shareholders' Meeting as well as voting results are announced at the General Shareholders' Meeting, where the voting took place, or brought to the shareholders' notice not later than 25 days from the date of decision-making by publication in newspapers "Gazeta", "Gazeta MG" and at NLMK's Internet web-site.*

#### **8.1.5. Information on profit-making organizations, where the Issuer holds not less than 5 percent of stockholders' equity (unit fund) or not less than 5 percent of common stock.**

1. Full name: **Limited-liability company Lipetsk Insurance Company "Chance"**

Abbreviated name: **LLC LIC Chance**

Legal address: **30, ul. Nedelina, Lipetsk 398059 Russia**

Issuer's share in the profit-making organization's chartered capital: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

2. Full name: **Limited-liability company Steel**

Abbreviated name: **LLC Steel**

Legal address: **1, ul. Lenina, Uglich, Yaroslavl region 152620 Russia**

Issuer's share in the profit-making organization's chartered capital: **100 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**3. Full name: *Limited-liability company Novolipetskoye***

Abbreviated name: ***LLC Novolipetskoye***

Legal address: ***village Tyushevka, Lipetsk region, 398052 Russia***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**4. Full name: *Limited-liability company Karamyshevskoye***

Abbreviated name: ***LLC Karamyshevskoe***

Legal address: ***village Karamyshevo, Gryazi region, Lipetsk area 399077 Russia***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**5. Full name: *Holiday Hotel Novolipetsky Metallurg***

Abbreviated name: ***none***

Legal address: ***25, per. Chekhov, Sudak, Crimea 334886 Ukraine***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**6. Full name: *Limited-liability company Trading House NLMK***

Abbreviated name: ***LLC Trading House NLMK***

Legal address: ***bldg. B, 1/15, Kotelnicheskaya naberezhnaya, Moscow 109240 Russia***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**7. Full name: *DanSteel A/S***

Abbreviated name: ***DanSteel A/S***

Legal address: ***Havnevej 33, 3300 Frederiksvaerk, Denmark***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Share of the Issuer's common stock in profit-making organization: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**8. Full name: *Kuzbass Asset Holdings Limited***

Abbreviated name: ***Kuzbass Asset Holdings Limited***

Legal address: ***offices 41/42, Victoria House, 26, Main Street, Gibraltar***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Share of the Issuer's common stock in profit-making organization: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**9. Full name: *Limited-liability company "Vtorchermet NLMK"***

Abbreviated name: ***LLC "Vtorchermet NLMK"***

Legal address: ***bldg. B, 1/15, Kotelnicheskaya naberezhnaya, Moscow 109240, Russia***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**10. Full name: *Limited-liability company "VIZ-Stal"***

Abbreviated name: ***LLC "VIZ-Stal"***

Legal address: ***28, ul. Kirova, Yekaterinburg 620219, Russia***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**11. Full name: *Limited-liability company Independent Transport Company***

Abbreviated name: ***LLC NTK***

Legal address: ***32A, Leninsky prospect, Moscow 119991, Russia***

Issuer's share in the profit-making organization's chartered capital: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**12.** Full name: **NLMK International B.V.**

Legal address: **Amsterdam, Netherlands**

Issuer's share in the profit-making organization's chartered capital: **100 %**

Share of the Issuer's common stock in profit-making organization: **100 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**13.** Full name: **Limited-liability company Larmet**

Abbreviated name: **LLC Larmet**

Legal address: **44/28, ul. Studencheskaya, Moscow 121165 Russia**

Issuer's share in the profit-making organization's chartered capital: **99.98 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**14.** Full name: **Limited-liability company VIMET**

Abbreviated name: **LLC VIMET**

Legal address: **35 a, pr. Mira, Lipetsk 398005 Russia**

Issuer's share in the profit-making organization's chartered capital: **99.97 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**15.** Full name: **Open joint-stock company Stoilensky GOK**

Abbreviated name: **OJSC Stoilensky GOK**

Legal address: **Russian Federation**

Issuer's share in the profit-making organization's chartered capital: **96.98%**

Share of the Issuer's common stock in profit-making organization: **96.98 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**16.** Full name: **Open joint-stock company "Altai-Koks"**

Abbreviated name: **OJSC "Altai-Koks"**

Legal address: **Zarinsk, Altai Region, Russia**

Issuer's share in the profit-making organization's chartered capital: **93.64 %**

Share of the Issuer's common stock in profit-making organization: **93.64 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**17.** Full name: **Open joint-stock company Dolomite**

Abbreviated name: **OJSC Dolomite**

Legal address: **1, ul. Sverdlova, Dankov, Lipetsk region 399854 Russia**

Issuer's share in the profit-making organization's chartered capital: **92.74 %**

Share of the Issuer's common stock in profit-making organization: **92.74 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**18.** Full name: **Open joint-stock company Studenovskaya Mining Company**

Abbreviated name: **OJSC Stagdok**

Legal address: **4, ul. Gaidara, Lipetsk 398008 Russia**

Issuer's share in the profit-making organization's chartered capital: **88.62 %**

Share of the Issuer's common stock in profit-making organization: **88.62 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**19.** Full name: **Limited-liability company Vtormetsnab NLMK**

Abbreviated name: **LLC Vtormetsnab NLMK**

Legal address: **2, pl. Metallurgov, Lipetsk, 398040 Russia**

Issuer's share in the profit-making organization's chartered capital: **70.00 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**20.** Full name: **Open joint-stock company "Tuapse Sea Trade Port"**

Abbreviated name: **OJSC TMTP**

Legal address: **2, ul. Maxim Gorky, Tuapse, Krasnodar Region, 352800 Russia**

Issuer's share in the profit-making organization's chartered capital: **69.41 %**

Share of the Issuer's common stock in profit-making organization: **69.41 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**21. Full name: *Open joint-stock company North Oil and Gas Company***

Abbreviated name: ***OJSC Severneftegas***

Legal address: ***bldg. 1, 14, pl. Spartakovskaya, Moscow 105082 Russia***

Issuer's share in the profit-making organization's chartered capital: **62.00 %**

Share of the Issuer's common stock in profit-making organization: **62.00 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**22. Full name: *Open joint-stock Bank of Social Development and Construction Lipetskcombank***

Abbreviated name: ***OJSC Lipetskcombank***

Legal address: ***8, ul. Internatsionalnaya, Lipetsk 398600 Russia***

Issuer's share in the profit-making organization's chartered capital: **50.08 %**

Share of the Issuer's common stock in profit-making organization: **50.14 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

**23. Full name: *Steel Invest & Finance (Luxembourg)S.A.***

Legal address: ***12, rue Leon Thyges, L -2636 Luxembourg***

Issuer's share in the profit-making organization's chartered capital: **50 %**

Share of the Issuer's common stock in profit-making organization: **50 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**24. Full name: *Open joint-stock company Lipetsky Griprommez***

Abbreviated name: ***OJSC Lipetsky Griprommez***

Legal address: ***1, ul. Kalinina, Lipetsk 398600 Russia***

Issuer's share in the profit-making organization's chartered capital: **44.01 %**

Share of the Issuer's common stock in profit-making organization: **44.01 %**

Profit-making organization's share in the Issuer's chartered capital: **none**

**25. Full name: *Limited-liability company Neptune***

Abbreviated name: ***LLC Neptune***

Legal address: ***office 35, 1, ul. Admiral Makarov, Lipetsk 398005 Russia***

Issuer's share in the profit-making organization's chartered capital: **25 %**

Share of profit-making organization in the Issuer's stockholders' equity: **none**

#### **8.1.6. Сведения о существенных сделках, совершенных эмитентом.**

Information on each material transaction (group of related transactions) with liabilities equal to 10 and more percent of the issuer's assets book value under its financial statements for the last reporting quarter preceding the date of (material) transaction, concluded by the issuer for the last 5 completed financial years and Q1 of the current year:

***In the period from 2002 to the end of Q1 of the current year the issuer has concluded one transaction with liabilities exceeding 10% of the issuer's assets book value according to its accounting data for the last reporting quarter preceding the transaction date:***

Type and subject of transaction: ***Share Purchase Agreement and Option Agreement.***

Scope of transaction, including civil rights and liabilities, which this transaction aims to establish, modify or terminate: ***Share Purchase Agreement: acquisition of voting common shares, covering 50% of the equity of Steel Invest & Finance (Luxembourg) S.A. Option Agreement: the right of parties to execute their put option should any major corporate events occur in future, including controversies.***

Transaction maturity: ***19.12.2006 (settlement date under the Share Purchase Agreement).***

Parties and beneficiaries of the transaction:

**Share Purchase Agreement:**

- 1) **BOLMAT HOLDINGS LIMITED;**
- 2) **BERKELY INTERTRADE LIMITED;**
- 3) **STEEL INVESTMENT LIMITED;**
- 4) **OJSC "NLMK".**

**Option Agreement:**

- 1) **BOLMAT HOLDINGS LIMITED;**
- 2) **DUFERCO INDUSTRIAL INVESTMENT S.A.;**
- 3) **OJSC "NLMK".**

Transaction value in monetary terms: **Value of shares covering 50% of the equity of Steel Invest & Finance (Luxembourg) S.A., without regard to possible price correction – USD 805 502, 6 thousand. Considering the Option Agreement the total amount of interrelated transactions makes approximately USD 1 611 000 thousand, without regard to possible correction.**

Transaction value in % of the issuer's assets book-value: **Under Share Purchase Agreement – 12.01%. Together with Option Agreement – 24.03%, without regard to possible correction.**

Value of the issuer's assets as of the end date of the reporting period (quarter, year), preceding the transaction conclusion (agreement conclusion) covered in the accounting statements in line with the RF legislation: **Book value of NLMK's assets as of 30.09.2006 is 176 911 856 thousand rubles.**

Date of transaction (agreement) conclusion: **Share Purchase Agreement and Option Agreement were signed on 24.11.2006. Settlements under the Share Purchase Agreement were made on 19.12.2006. The final adjustment of the purchase price under Share Purchase Agreement will be completed in Q2 2007.**

Information about transaction approval should it be a major transaction or an interested-party transaction for the issuer: **Share Purchase Agreement and Option Agreement were approved by NLMK's Board of Directors on 09.11.2006 as interrelated major transactions.**

Transaction category: **Major transaction**

The issuer's decision-making authority that has approved the transaction: **NLMK's Board of Directors**

Date of transaction approval: **09.11.2006**

Issue date and number of the minutes of the meeting, where the decision on transaction approval was taken: **09.11.2006, Minutes No. 148.**

### 8.1.7. Сведения о кредитных рейтингах эмитента.

#### Information on NLMK's credit ratings:

No.	Company	Rating	Description*	Date of rating
1.	Credit rating agency "Standard & Poor's", USA <a href="http://www.standardandpoor.s.ru/">http://www.standardandpoor.s.ru/</a>	BB+ (stable)	Beyond danger in short-term outlook, however higher susceptibility to the influence of negative changes in commercial, financial and economic conditions.	12.07.2006 (upon revision)
		BB (stable)	Beyond danger in short-term outlook, however higher susceptibility to the influence of negative changes in commercial, financial and economic conditions.	26.05.2005 (initial rating)

2.	<b>Credit rating Agency "Moody's Investors Service", UK</b> <a href="http://www.moody.com/">http://www.moody.com/</a>	<b>Ba1(stable)</b>  <b>Ba2 (stable)</b>	<b>Description is not available.</b>  Description is not available.	<b>19.12.2006 (upon revision)</b>  24.10.2005 (initial rating)
3.	<b>Credit rating agency "Moody's Interfax", Russia</b> <a href="http://rating.interfax.ru/">http://rating.interfax.ru/</a>	<b>Aa1.ru (stable)</b>  <b>Aa2.ru (stable)</b>	<b>Issuers or debt instruments with Aa.ru rating are characterized by higher solvency as compared to other Issuers within the country.</b>  Issuers or debt instruments with Aa.ru rating are characterized by higher solvency as compared to other Issuers within the country.	<b>19.12.2006 (upon revision)</b>  24.10.2005 (initial rating)
4.	<b>Credit rating agency "Fitch Ratings", UK</b> <a href="http://www.fitchratings.com/">http://www.fitchratings.com/</a>	<b>BB+ (stable)</b>	<b>"BB" rating means that there is a possibility of credit risk development, especially as a result of negative economic changes that might arise. However, at the same time alternative resources in business or finance may be available to the companies, due to which they'll be able to meet their financial liabilities.</b>	<b>15.01.2007 (initial rating)</b>

\* - The description is in accordance with the data on the rating agencies' web-sites.

Note: NLMK's ratings valid as at 31.03.2007 are in bold type.

## 8.2. Information on each category (type) of the Issuer's shares.

Share category: **common**

Par value of each share (rubles): **1**

Shares in circulation: **5 993 227 240**

Quantity of additional shares in the process of placement: **0**

Quantity of declared shares: **0**

Quantity of shares on the Issuer's balance: **0**

Quantity of additional shares which could be placed due to conversion of placed securities, convertible into shares, or as a result of obligations discharge under the Issuer's options: **0**

State registration numbers of share issues: **1-01-00102-A**

Date of state registration: **09.04.2004**

**Additional issues of NLMK's securities were combined by Regulation of Federal Committee on Securities of Russia No. 04-1026/p dd. April 9, 2004, which resulted in cancellation of state registration number 46-1П-0190 dd. 02.04.1993 assigned to the first issue of the Company's registered book-entry common stock. State registration number 1-01-00102-A dd. April 9, 2004 was assigned to the above mentioned issue of NLMK's securities.**

Rights granted by shares to their holders:

**Each common share of the Company grants a shareholder, its owner, equal measure of**

*property and non-property rights, particularly, the right to:*

*a) take part in the Company management, including participation in the General Shareholders' Meeting with the right to vote on all the issues within its competence both personally and through a representative;*

*b) to receive dividends and to get part of the Company's property in case of its liquidation;*

*c) to sell or alienate in another way all the shares or part thereof to other persons according to the procedure established by the current legislation of the Russian Federation and the Company Charter;*

*d) to be informed about the Company's financial and economic performance according to the procedure established by the current legislation of the Russian Federation and the Company Charter.*

*In case the Company places voting stocks and securities convertible into voting stocks by open subscription with payment in cash, the shareholders – owners of the Company's voting stocks – have a priority right to purchase these securities in the quantity proportional to the quantity of the Company's voting stocks owned by them.*

*Additionally placed shares grant the right to vote only after their full payment and approval of the stock placement results by the Board of Directors.*

### **8.3. Information on previous issues of the Issuer's securities except the Issuer's shares.**

*Securities issue, with the exception of stocks, was not performed by the Issuer.*

#### **8.3.1. Information on issues, the securities of which were paid off (cancelled).**

*There were no issues, the securities of which were paid off (cancelled).*

#### **8.3.2. Information on issues, the securities of which are still outstanding.**

*There were no issues of bonds and options, the securities of which are still outstanding.*

#### **8.3.3. Information on default issues.**

*There were no issues of securities with the Issuer's default.*

### **8.4. Information on a person (persons), providing (having provided) security for bond issue.**

*The Issuer did not place secured bonds.*

### **8.5. Security conditions for the Issuer's obligations in respect of bond issue.**

*The Issuer did not place any secured bonds.*

### **8.6. Information on organizations, which register rights for the issuer's securities.**

Registrar:



Full name: **Limited-liability company R-Stinol**

Abbreviated name: **OJSC R-Stinol**

Legal address: **10b, ul. 9<sup>th</sup> of May, Lipetsk, Russia**

The license for functioning as a registrar of shareholders:

License No.: **10-000-1-00342**

Issue date: **30.11.2006**

Validity: unlimited period

Licenser: **Federal Financial Market Service of the Russian Federation**

The date on which the register of shareholders started to be kept by the stated registrar: **04.03.2004**

## **8.7. Information on legislative acts governing import and export of capital, which could affect payment of dividends, interest and other payments to non-residents.**

*International agreements and contracts on double taxation prevention, Tax Code of the Russian Federation (part one) No. 146-Φ3 dd. 31.07.1998 (revision dd. 30.12.2006); Tax Code of the Russian Federation (part two) No. 117-Φ3 dd. 05.08.2000 (revision dd. 30.12.2006); Federal Act No. 173- Φ3 dd. 10.12.2003 "On currency control" (revision dd. 30.12.2006); Federal Act No. 39- Φ3 dd. 22.04.1996 (revision dd. 30.12.2006) "On securities market", Federal Act No. 208- Φ3 dd. 26.12.1995 (revision dd.05.02.2007) "On joint-stock companies" are considered as legislative acts which regulate import and export of capital and which could affect payments of dividends, interest and other payments by the Issuer to non-residents who have the Issuer's securities in possession.*

## **8.8. Description of income taxation procedures regarding placed securities of the Issuer.**

*Owners of the Company's shares can receive income as dividends and income from share sale. Organizations' income is taxed under Chapter 25 "Income tax of organizations" of Tax Code of the Russian Federation, natural persons are taxed under Chapter 23 "Natural persons' income tax".*

### **Dividends**

*In case of dividend payment to natural persons and organizations the Company acts as a fiscal agent, i.e. it makes calculations, deduction from dividends and transfer of natural persons' income tax and profit tax of organizations to the budget.*

#### **Legal entities**

*Organizations' profit received as dividends is taxed under Chapter 25 "Profit tax of organizations" of Tax Code of the Russian Federation.*

*Dividends paid to organizations which are Russian taxpayers, are taxed at 9% tax rate (subclause 1 clause 3 Article 284 Tax Code of the Russian Federation), foreign organizations – at 15% tax rate (subclause 2 clause 3 Article 284 Tax Code of the Russian Federation).*

#### **Natural persons.**

*Tax rate of natural persons' (residents) income tax is 9% and 30 % for non-residents.*

### **Income from share sales.**

#### **Legal entities**

*A feature for tax base for RF residents in case of securities operations is defined by Articles 280 and 283 of Tax Code of the Russian Federation. Profit tax shall be paid at 24% tax rate (clause 1 Article 284 of Tax Code of the Russian Federation).*

*Taxation procedure for non-residents is governed by Articles 306-307, 309-312 of Tax Code of the Russian Federation. Foreign organizations which do not perform profit-oriented business in*

*the Russian Federation, pay profit taxes upon sales Russian companies' shares, where more than 50% of assets consist of real estate in the territory of the Russian Federation as well as financial instruments being derivatives of these shares. Furthermore, income from trade of securities on foreign stock exchanges or financial instrument being in circulation on these exchanges is not recognized as income received from RF sources of revenues (subclause 5 clause. 1 Article 309). Fiscal Agent makes calculations and deduction of profit tax at 20% tax rate.*

**Физические лица.**

*Procedure of taxation of natural persons' income from securities operations is established by Articles 214-1, 220, 224 Chapter 23 of Tax Code of the Russian Federation.*

*Income (loss) on sales of securities is defined as difference between income from securities sales and documented securities sales proceeds and documented expenses for acquisition, sales and storage of securities actually incurred by a tax payer or assessed tax deduction taken to decrease securities sales income. Assessed tax deduction is not provided for non-resident natural persons.*

*Tax rate for stated income of resident natural persons is 13 percent.*

*Tax rate for stated income of non-resident natural persons is 30 percent.*

*Tax is calculated and paid by a fiscal agent upon completion of tax period or in case of payment to taxpayer before expiration of the successive tax period.*

*Should it be impossible to withhold calculated amount of tax from a taxpayer, a Fiscal agent shall inform tax authorities in writing within one month from the date of this event occurrence on impossibility to withhold and on the amount of tax debt.*

**Application of International Agreements.**

*If provisions of international agreements concluded by the Russian Federation (or USSR, if the RF declared these agreements valid) with other states, residents (natural persons or organizations) of which obtain income from the Company's shares, laid down other taxation rules and standards as compared to the same of the Russian Law, rules and standards provided for by international agreements shall apply subject to meeting conditions established by the Law.*

**8.9. Information on announced (accrued) and paid dividends as well as return on the Issuer's bonds.**

Category: **common stock**

Dividends for shares of this category:

Reporting period (year, quarter), for which announced dividends were paid (announced): **2002.**

Dividends announced (accrued) per share (rubles): **312.5**

Total dividends announced (accrued) for shares of this category (rubles): **1 871 012 500**

Name of the Issuer's management body which has made decision on (announcement) payment of dividends: **Annual General Shareholders' Meeting**

Date of the meeting of the Issuer's management body where a decision on dividends payment (announcement) has been made: **June 27, 2003.**

Date and number of Minutes of the Issuer's Management Body Meeting where a decision to pay (announce) dividends has been made: **June 27, 2003, No. 17**

Deadline of announced dividends payment: **up to September 25, 2003.**

Announced dividends are paid by: **cash**

Other terms and conditions of announced dividends payments: **cash is transferred to:**

- **legal entities (shareholders) to their accounts with banks;**
- **natural persons – employees of NLMK (shareholders) at a time of wages payment;**
- **other natural persons (shareholders) – via Lipetskcombank.**

Total dividends actually paid upon shares of this type (category) (rubles) as of the date of reporting quarter end: **1 867 435 960**

Reporting period (year, quarter), for which announced dividends were paid (announced): **2003.**

Dividends announced (accrued) per share (rubles): **0.6045**

Total dividends announced (accrued) for shares of this category (rubles): **3 622 905 866.58**

Name of the Issuer's management body which has made decision on (announcement) payment of dividends: **Annual General Shareholders' Meeting**

Date of the meeting of the Issuer's management body where a decision on dividends payment (announcement) has been made: **June 25, 2004.**

Date and number of Minutes of the Issuer's Management Body Meeting where a decision to pay (announce) dividends has been made: **July 05, 2004, No. 19**

Deadline of announced dividends payment: **up to September 23, 2004.**

Announced dividends are paid by: **cash**

Other terms and conditions of announced dividends payments: **cash is transferred to:**

- **legal entities (shareholders) to their accounts with banks;**
- **natural persons – employees of NLMK (shareholders) at a time of wages payment;**
- **other natural persons (shareholders) – via Lipetskcombank.**

Total dividends actually paid upon shares of this type (category) (rubles) as of the date of reporting quarter end: **3 614 023 563**

Reporting period (year, quarter), for which announced dividends were paid (are being paid): **9 months of 2004.**

Dividends announced (accrued) per share (rubles): **1.0**

Total dividends announced (accrued) for shares of this category (rubles): **5 993 227 240**

Name of the Issuer's management body which has made decision on (announcement) payment of dividends: **Extraordinary General Shareholders' Meeting**

Date of the meeting of the Issuer's management body where a decision on dividends payment (announcement) has been made: **December 03, 2004.**

Date and number of Minutes of the Issuer's Management Body Meeting where a decision to pay (announce) dividends has been made: **December 07, 2004, No. 20**

Deadline of announced dividends payment: **up to March 03, 2005.**

Announced dividends are paid by: **cash**

Other terms and conditions of announced dividends payments: **cash is transferred to:**

- **legal entities (shareholders) to their accounts with banks;**
- **natural persons – employees of NLMK (shareholders) at a time of wages payment;**
- **other natural persons (shareholders) – via Lipetskcombank.**

Total dividends actually paid upon shares of this type (category) (rubles) as of the date of reporting quarter end: **5 980 555 625**

Reporting period (year, quarter), for which announced dividends were paid (are being paid): **2004.**

Dividends announced (accrued) per a share (rubles): **1.8 (Additionally 0.8 rubles per one common share will be paid taking into account announced interim dividends for 9 months of 2004 in the amount of 1.0 ruble per share)**

Total dividends announced (accrued) for shares of this category (rubles): **10 787 809 032 (Additionally 4 794 581 792 rubles will be paid taking into account announced interim dividends for 9 months of 2004 of 5 993 227 240 rubles)**

Name of the Issuer's management body which has made decision on (announcement) payment of dividends: **Annual General Shareholders' Meeting**

Date of the meeting of the Issuer's management body where a decision on dividends payment (announcement) has been made: **May 20, 2005.**

Date and number of Minutes of the Issuer's Management Body Meeting where a decision to pay (announce) dividends has been made: **May 25, 2005, No. 21**

Deadline of announced dividends payment: **up to August 18, 2005.**

Announced dividends are paid by: **cash**

Other terms and conditions of announced dividends payments: **cash is transferred to:**

- **legal entities (shareholders) to their accounts with banks;**
- **natural persons – employees of NLMK (shareholders) at a time of wages payment;**
- **other natural persons (shareholders) – via Lipetskcombank.**

Total dividends actually paid upon shares of this type (category) (rubles) as of the date of reporting quarter end: **4 784 446 363 (from additional payment due).**

Reporting period (year, quarter), for which announced dividends were paid (are being paid): **6 months of 2005.**

Dividends announced (accrued) per share (rubles): **1.0**

Total dividends announced (accrued) for shares of this category (rubles): **5 993 227 240**

Name of the Issuer's management body which has made decision on (announcement) payment of dividends: **Extraordinary General Shareholders' Meeting**

Date of the meeting of the Issuer's management body where a decision on dividends payment (announcement) has been made: **September 26, 2005.**

Date and number of Minutes of the Issuer's Management Body Meeting where a decision to pay (announce) dividends has been made: **September 27, 2005, No. 22**

Deadline of announced dividends payment: **up to December 25, 2005.**

Announced dividends are paid by: **cash**

Other terms and conditions of announced dividends payments: **cash is transferred to:**

- **legal entities (shareholders) to their accounts with banks;**
- **natural persons – employees of NLMK (shareholders) at a time of wages payment;**
- **other natural persons (shareholders) – via Lipetskcombank.**

Total dividends actually paid upon shares of this type (category) (rubles) as of the date of reporting quarter end: **5 977 982 864**

Reporting period (year, quarter), for which announced dividends were paid (are being paid): **2005**

Dividends announced (accrued) per share (rubles): **3 (Additionally 2 rubles per one common share will be paid taking into account announced interim dividends for 1H 2005 in the amount of 1.0 ruble per share.)**

Total dividends announced (accrued) for shares of this category (rubles): **17 979 681 720 (Additionally 11 986 454 480 rubles will be paid taking into account announced interim dividends for 1H 2005 of 5 993 227 240 rubles.)**

Name of the Issuer's management body which has made decision on (announcement) payment of dividends: **Annual General Shareholders' Meeting**

Date of the meeting of the Issuer's management body where a decision on dividends payment (announcement) has been made: **June 06, 2006**

Date and number of Minutes of the Issuer's Management Body Meeting where a decision to pay (announce) dividends has been made: **June 06, 2006, No.24**

Deadline of announced dividends payment: **up to September 04, 2006**

Announced dividends are paid by: **cash**

Other terms and conditions of announced dividends payments: **cash is transferred to:**

- **for legal entities (shareholders) – cashless transfer of funds according to the payment details specified in the questionnaire of the registered entity kept by the Company's Registrar;**
- **for individuals – employees of OJSC "NLMK" (shareholders) – cashless transfer of funds according to the details of the "Salary" bank account or in cash at the Company's cash desk;**
- **for other individuals (shareholders) – via OJSC "Lipetskcombank" (by cashless transfer of funds according to the bank account details specified in the questionnaire of the registered individual kept by the Company Registrar or in cash at the cash desk of OJSC "Lipetskcombank").**

Total dividends actually paid upon shares of this type (category) (rubles) as of the date of reporting quarter end: **11 958 033 519**

Reporting period (year, quarter), for which announced dividends were paid (are being paid): **6 months 2006**

Dividends announced (accrued) per share (rubles): **1.50**

Total dividends announced (accrued) for shares of this category (rubles): **8 989 840 860**

Name of the Issuer's management body which has made decision on (announcement) payment of dividends: **Extraordinary General Shareholders' Meeting**

Date of the meeting of the Issuer's management body where a decision on dividends payment (announcement) has been made: **September 29, 2006.**

Date and number of Minutes of the Issuer's Management Body Meeting where a decision to pay (announce) dividends has been made: **September 29, 2006, No.25**

Deadline of announced dividends payment: **up to December 28, 2006.**

Announced dividends are paid by: **cash**

Other terms and conditions of announced dividends payments: **cash is transferred to:**

- **for legal entities (shareholders) – at NLMK's discretion in rubles or foreign currency at the official rate of the RF Central Bank as of the last working day preceding the payment date - cashless transfer of funds according to the payment details specified in the questionnaire of the registered entity kept by the Company's Registrar or a special written statement of a shareholder – foreign investor, received by NLMK prior to the payment date;**

- **for individuals – employees of OJSC "NLMK" (shareholders) – cashless transfer of funds according to the details of the "Salary" bank account or in cash at the Company's cash desk;**

- **for other individuals (shareholders) – via OJSC "Lipetskcombank" (by cashless transfer of funds according to the bank account details specified in the questionnaire of the registered individual kept by the Company Registrar or in cash at the cash desk of OJSC "Lipetskcombank").**

**Transfer expenses are to be borne by NLMK.**

Total dividends actually paid upon shares of this type (category) (rubles) as of the date of reporting quarter end: **8 964 982 875**

**The Company did not issue any bonds.**

#### **8.10. Other information.**

**None.**

## APPENDIX to item 7.1. "Annual financial statements of the Issuer"

### BALANCE SHEET

as of **December 31, 2006**

Organization: **OJSC "Novolipetsk Steel"**

Taxpayer's identification number

Activity: **production of cold-rolled flats with and without protective coating**

Organizational-legal form/ property form:

**Open joint-stock company/ Joint federal and foreign property**

Unit: **thousand rubles.**

Address: **2, pl. Metallurgov, Lipetsk**

Form No. 1 under OKUD

Date (year, month, date)

under OKPO

TIN (INN)

under OKVED

under OKOPF/OKFS

under OKEI

Codes		
0710001		
2006	12	31
5757665		
4823006703		
27,17		
47/31		
0384		

ASSETS	Line code	As of the reporting period beginning	As of the reporting period end
1	2	3	4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets	110	3855	3 555
Fixed assets	120	22 547 324	24 224 909
Construction in progress	130	8 081 524	14 949 535
Long-term financial investments	140	25 631 107	83 510 523
Deferred tax assets	145	15 278	33 723
Advance payments for non-current assets	149	3 946 621	3 077 420
Other non-current assets	150	1 138 593	1 136 814
<b>TOTAL for section I</b>	<b>190</b>	<b>61 364 302</b>	<b>126 936 479</b>
<b>II. CURRENT ASSETS</b>			
Inventories	210	15 199 227	19 360 451
inclusive:			
raw materials, materials and other similar valuables	211	9 900 657	12 663 869
animals in breeding and feeding	212	1 384	1 506
expenses on work in progress (distribution costs)	213	4 029 247	5 540 674
finished products and goods for reselling	214	840 227	584 692
goods shipped	215	5 913	232 732
deferred expenses	216	333 043	310 118
other inventories and expenses	217	88 756	26 860
VAT for acquired valuables	220	2 387 494	2 279 672
Accounts receivable (payments due for over 12 months from the reporting date)	230	86 942	143 217
including:		38 298	83 401

buyers and customers	231		
Accounts receivable (payments due for over 12 months from the reporting date)	240	15 894 395	23 281 812
including:			
buyers and customers	241	11 058 518	14 088 941
Short-term financial investments	250	32 419 335	331 655
Cash and cash equivalents	260	11 382 710	858 985
Other current assets	270	16 504	17 869
<b>TOTAL for section II</b>	<b>290</b>	<b>77 386 607</b>	<b>46 273 661</b>
<b>BALANCE (sum of lines 190 + 290)</b>	<b>300</b>	<b>138 750 909</b>	<b>173 210 140</b>

LIABILITIES	Line code	As of the reporting period beginning	As of the reporting period end
1	2	3	4
<b>III. EQUITY AND RESERVES</b>			
Authorized capital	410	5 993 227	5 993 227
Paid-in capital	420	4 358 869	4 338 950
Capital reserves	430	299 661	299 661
including:			
reserve funds established according to the law	431	299 661	299 661
Retained profit (retained loss)	470	119 095 970	148 647 734
including:			
retained profit (retained loss) of previous years	471	119 095 970	107 109 516
Retained profit (retained loss) of the reporting period	472	x	41 538 218
<b>TOTAL for section III</b>	<b>490</b>	<b>129 747 727</b>	<b>159 279 572</b>
<b>IV. LONG-TERM LIABILITIES</b>			
Deferred tax liabilities	515	1 187 505	1 625 673
Other long-term liabilities	520	4 093	36 190
<b>TOTAL for section IV</b>	<b>590</b>	<b>1 191 598</b>	<b>1 661 863</b>
<b>V. SHORT-TERM LIABILITIES</b>			
Loans and credits	610	-	4 082 008
including:			
bank credits to be repaid within 12 months from the reporting date	611	-	4 082 008
Accounts payable	620	7 715 782	8 050 456
including:			
suppliers and contractors	621	2 532 997	3 148 691
debts to organization staff	622	278 913	302 187
arrears to the state off-budget funds	623	190 885	170 764
tax debt	624	1 032 781	1 277 380
other creditors	625	294 284	96 869
advance payments received	627	3 385 922	3 054 565
Debts to participants (founders) for revenues pay-off	630	73 470	112 675
Deferred income	640	22 332	23 566
<b>TOTAL for section V</b>	<b>690</b>	<b>7 811 584</b>	<b>12 268 705</b>
<b>BALANCE (sum of lines 490 + 590 + 690)</b>	<b>700</b>	<b>138 750 909</b>	<b>173 210 140</b>

#### STATEMENT OF VALUABLES ON OFF-BALANCE ACCOUNTS

Description	Line code	As of the reporting period beginning	As of the reporting period end
-------------	-----------	--------------------------------------	--------------------------------

1	2	3	4
Fixed assets leased	910	437 036	482 917
Inventories accepted for safety storage	920	8 237	10 005
Debt of insolvent debtors written-off to loss	940	21 840	2 567
Security of liabilities and payments received	950	3 592 701	2 551 091
Security of liabilities and payments made	960	-	1 476 990
Depreciation of housing facilities	970	9 281	9 856
Materials accepted for reprocessing	981	9	756
Document sheets of strict reporting	982	1 036	14
Intangible assets received	990	38 140	106 767



## INCOME STATEMENT

For **2006**

Organization: **OJSC "Novolipetsk Steel"**

Taxpayer's ID

Activity: **production of cold-rolled flats with and without protective coating**

Organizational-legal form/ property form:

**Open joint-stock company/ Joint federal and foreign property**

Unit: **thousand rubles.**

Form No. 2 under OKUD

Date (year, month, date)

under OKPO

INN

under OKVED

under OKOPF/

OKFS

under OKEI

Codes

0710002

2006 | 12 | 31

5757665

4823006703

27,17

47/31

384

Description		For the reporting period	For the similar period of the previous year
	Code		
1	2	3	4
<b>Income and expenses on common activity</b>			
Revenues (net) on sales of goods, products, and services (net of VAT, excises and similar mandatory payments)	010	140 301 567	119 220 689
including sales of ferrous metals	011	135 725 763	114 633 239
Sales cost of goods, products, works and services	020	(74 953 715)	(68 502 122)
including ferrous metals sold	021	(71 106 762)	(65 560 536)
Gross profit	029	65 347 852	50 718 567
Commercial expenses	030	(7 133 524)	(2 546 020)
Administrative expenses	040	(2 376 724)	(2 203 767)
Sales profit (loss)	050	55 837 604	45 968 780
<b>Other income and expenses</b>			
Interest receivable	060	1 209 146	1 763 563
Interest payable	070	(7 283)	-
Income on stakes in other enterprises	080	2 655 707	543 931
Other income	090	105 566 215	51 087 714
Other expenses	100	(97 627 761)	(52 729 460)
<b>Profit (loss) before tax</b>	<b>140</b>	<b>67 633 628</b>	<b>46 634 528</b>
Deferred tax assets	141	18 445	(34 289)
Deferred tax liabilities	142	(438 168)	(361 872)
Current profit tax	150	(16 705 765)	(11 072 973)
<b>Net profit (loss) of the reporting period</b>	<b>190</b>	<b>50 508 140</b>	<b>35 165 394</b>
FOR REFERENCE			
Fixed tax liabilities	200	893 417	276 847
Basic profit (loss) per share (rubles)	201	8,43	5,87

**DESCRIPTION OF SOME PROFITS AND LOSSES**

Index name		For the reporting period		For the similar period of the previous year	
	code	profit	loss	profit	loss
1	2	3	4	5	6
Penalties, fines and forfeits acknowledged or upon which arbitration decision is made about their collection	210	22 582	(63 439)	23 698	(17 667)
Profit (loss) of the previous years	220	16 014	(357 436)	28 037	(114 594)
Payment of damages caused by default or undue fulfillment of liabilities	230	647	(1 687)	134	-
Currency exchange differences	240	3 322 502	(5 665 994)	4 669 719	(5 054 334)
Allocations to evaluation reserves	250	x	(5 370 031)	x	(81 090)
Writing-off of accounts receivable and payable under the established procedure	260	7 589	(4 314)	1 746	(1 912)

## STATEMENT OF CHANGES IN EQUITY

For **2006**

Organization: **OJSC "Novolipetsk Steel"**

taxpayer's ID

Activity: **production of cold-rolled flats with and without protective coating**

Organizational-legal form/ property form:

**Open joint-stock company/ Joint federal and foreign property**

Unit: **thousand rubles.**

Form No. 3 under OKUD

Date (year, month, date)

under OKPO

INN

under OKVED

under

OKOPF/ OKFS

under OKEI

Codes		
0710003		
2006	12	31
5757665		
4823006703		
27,17		
47 / 31		
384		

### I. Changes in equity

Index		Stockholder's equity	Paid-in capital	Reserved capital	Retained profit	Total
Description	Code					
1	2	3	4	5	6	7
<b>Balance as of December 31, 2004</b>	<b>10</b>	<b>5 993 227</b>	<b>4 423 266</b>	<b>299 661</b>	<b>94 653 988</b>	<b>105 370 142</b>
<b>Balance as of January 1, 2005</b>	<b>20</b>	<b>5 993 227</b>	<b>4 423 266</b>	<b>299 661</b>	<b>94 653 988</b>	<b>105 370 142</b>
Net profit	40	x	x	x	35 165 394	35 165 394
Retirement of fixed assets	45	x	(64 397)	x	64 397	-
Dividends	50	x	x	x	(10 787 809)	(10 787 809)
including interim dividends	51	x	x	x	(5 993 227)	(5 993 227)
<b>Balance as of December 31, 2005</b>	<b>90</b>	<b>5 993 227</b>	<b>4 358 869</b>	<b>299 661</b>	<b>119 095 970</b>	<b>129 747 727</b>
<b>Balance as of January 1, 2006</b>	<b>100</b>	<b>5 993 227</b>	<b>4 358 869</b>	<b>299 661</b>	<b>119 095 970</b>	<b>129 747 727</b>
Net profit	106	x	x	x	50 508 140	<b>50 508 140</b>
Retirement of fixed assets	107	x	(19 919)	x	19 919	-
Dividends	108	x	x	x	(20 976 295)	(20 976 295)
including interim dividends	109	x	x	x	<b>(8 989 841)</b>	<b>(8 989 841)</b>
<b>Balance as of December 31, 2006</b>	<b>140</b>	<b>5 993 227</b>	<b>4 338 950</b>	<b>299 661</b>	<b>148 647 734</b>	<b>159 279 572</b>

### II. Reserves

Index		Balance	Received	Used	Balance
Description	Cod				
1	2	3	4	5	6
<b>Statutory reserves:</b>					
<b>Capital reserves</b>					
data of the previous year	151	299 661	-	-	299 661
data of the reporting year	152	299 661	-	-	299 661
<b>Valuation reserves:</b>					
<b>Reserve for diminution in inventory value</b>					
data of the previous year	181	32 047	-	(31 636)	411
data of the reporting year	182	411	604 722	(42)	605 091
<b>Reserve for financial investment impairment</b>					
data of the previous year	183	32 350	26 851	(5)	59 156
data of the reporting year	184	59 196	1 878 225	(55)	1 937 366
<b>Bad debt reserve</b>					
data of the previous year	185	160 808	54 239	(59 153)	155 894
data of the reporting year	186	155 894	2 887 084	(79 890)	2 963 088

**NOTES**

Index		Balance as of the reporting year beginning		Balance as of the reporting year end	
description	cod				
1	2	3		4	
<b>1) Net assets</b>	200	129 770 059		159 303 138	
		Budget		Off-budget	
		for the reporting year	for the previous year	for the reporting year	for the previous year
		3	4	5	6
<b>2) Received for:</b>					
operational expenses - total	210	59 828	53 685	22 304	2 400
including:					
<i>medical treatment (over tariffs approved by MƏC)</i>	211	55 540	51 253	-	-
<i>preparedness activity</i>	212		30 0	-	-
<i>acquisition of medicine and materials</i>	213	4 288	2 132	-	-
<i>health protection under national projects</i>	214	-	-	22 304	-
<i>protection of labor</i>	215	-	-	-	2 400
capital investments into non-current assets - total	220	14	120	2 899	-
including:			12		
<i>medical equipment</i>	222	14	0	-	-
<i>personal protection equipment</i>	223	-	-	2 899	-

## CASH FLOW STATEMENT

For **2006**

Organization: **OJSC "Novolipetsk Steel"**

taxpayer's ID

Activity: **production of cold-rolled flats with and without protective coating**

Organizational-legal form/ property form:

**Open joint-stock company/ Joint federal and foreign property**

Unit: **thousand rubles.**

Form No. 4 under OKUD

Date (year, month, date)

under OKPO

INN

under OKVED

under OKOPF/

OKFS

under OKEI

Codes		
0710004		
2006	12	31
05757665		
4823006703		
27,17		
47 / 31		
384		

Index		For the reporting period	For the similar period of the previous year
Description	Code		
1	2	3	4
<b>Balance of funds at the reporting year beginning</b>	<b>010</b>	<b>11 326 245</b>	<b>2 549 532</b>
<b><i>Current activity cash flow</i></b>			
Funds received, total	100	<b>255 710 669</b>	<b>182 174 577</b>
including:			
funds received from buyers, customers	110	145 942 803	127 445 195
funds received from currency sale (purchase)	115	101 949 767	45 716 669
budget allocations and other target financing	120	77 844	51 673
other earnings	130	7 740 255	8 961 040
Funds allocated, total	<b>140</b>	<b>(249 320 314)</b>	<b>(159 143 923)</b>
including:			
payment for goods, works, services, raw materials and other current assets	150	(90 153 708)	(74 716 478)
salaries and wages	160	(6 055 809)	(5 203 502)
payment of dividends and interest	170	(19 598 395)	(10 218 727)
payment of taxes	180	(18 718 336)	(12 980 966)
<i>including single social tax and other similar contributions</i>	181	(1 284 653)	(993 225)
for sale (purchase) of foreign currency	184	(101 021 151)	(46 450 773)
other transfers	185	(13 772 915)	(9 573 477)
Net funds from current activity	<b>190</b>	<b>6 390 355</b>	<b>23 030 654</b>
<b><i>Cash flow from investments</i></b>			
Cash received, total	<b>200</b>	<b>3 500 600 686</b>	<b>2 762 336 795</b>
including:			
proceeds from fixed assets and other non-current assets sales	210	36 481	39 728
proceeds from sales of securities and other financial investments	220	19 389 424	125 868
dividends received	230	2 656 110	543 327
interest received	240	1 263 469	1 610 588
return of loans granted to other entities	250	46 331	-
deposit returns	255	3 477 201 538	2 758 735 306
other revenues	260	7 333	1 281 978
Funds allocated, total	<b>270</b>	<b>(3 521 539 678 )</b>	<b>(2 776 534 389)</b>
including:			
for purchase of fixed assets, income-bearing investments into inventories and intangible assets	290	(13 692 401)	(13 663 527)
for purchase of securities and other financial investments	300	(60 128 167)	(104 420)
loans to other organizations	310	(10 000)	-
deposits	320	(3 447 410 986)	(2 761 046 364)
other transfers	330	(298 124)	(1 720 078)

Net cash from investments	340	(20 938 992)	(14 197 594)
<b>Cash flow from financial activity</b>			
Funds received, total	400	4 081 320	-
including: from loans and credits provided by other entities	420	4 081 320	-
Net cash from financial activity	490	4 081 320	-
<b>Net increase (decrease) of cash and its equivalents</b>	500	(10 467 317)	8 833 060
<b>Cash balance as of the end of the reporting period</b>	600	858 928	11 382 592
FOR REFERENCE:			
Amount of FOREX fluctuation to ruble	700	(186 229)	(51 392)

## APPENDIX TO BALANCE SHEET

For **2006**

Organization: **OJSC "Novolipetsk Steel"**

taxpayer's ID

Activity: **production of cold-rolled flats with and without protective coating**

Organizational-legal form/ property form:

**Open joint-stock company/ Joint federal and foreign property**

Unit: **thousand rubles.**

Form No. 5 under OKUD

Date (year, month, date)

under OKPO

INN

under OKVED

under OKOPF/  
OKFS

under OKEI

Code		
0710005		
2006	12	31
5757665		
4823006703		
27,17		
47 / 31		
384		

### 1. INTANGIBLE ASSETS

Index		As of the reporting year beginning	Received	Retired	As of the reporting year end
Description	Code				
1	2	3	4	5	6
Objects of intellectual property (exclusive rights for the results of intellectual property)	<b>010</b>	<b>17 454</b>	<b>232</b>	<b>(1 629)</b>	<b>16 057</b>
including:					
from patent holder for invention, industrial prototype, utility model	011	4 730	166	(101)	4 795
from rights holder for computer software and databases	012	12 475	-	(1 528)	10 947
from owner of trade marks and service marks, name of the goods origin	014	210	66	-	276
from rights owner for science, literature and art pieces	016	39	-	-	39
Others	<b>040</b>	<b>309</b>	-	-	<b>309</b>

Index		As of the reporting year beginning	As of the reporting year end
Description	Code		
1	2	3	4
Amortization of intangible assets – total	<b>050</b>	<b>13 908</b>	<b>12 811</b>
inclusive of:			
exclusive rights for inventions, industrial prototypes, utility models	051	1 192	1 447
exclusive rights for computer software, databases	052	12 338	10 947
exclusive rights for trade marks and service marks	053	56	91
exclusive rights for science, literature, art pieces	054	13	17
other intangible assets	055	309	309

## II. FIXED ASSETS

Показатель		As of the reporting year beginning	Received	Retired	As of the reporting year end
Description	Code				
1	2	3	4	5	6
Buildings	060	10 152 986	213 233	(57 039)	10 309 180
Structures and handling equipment	061	6 784 123	720 503	(41 647)	7 462 979
Machinery and equipment	062	21 038 753	3 533 232	(359 164)	24 212 821
Vehicles	063	2 332 288	499 100	(972 664)	1 858 724
Industrial and household equipment	064	84 546	19 796	(2 268)	102 074
Plough cattle	065	49	-	(11)	38
Perennial plants	067	182	-	-	182
Other fixed assets	068	81 954	11 928	(281)	93 601
Land lots and objects of nature	070	1 044 205	7 077	(87)	1 051 195
<b>Total</b>	<b>100</b>	<b>41 519 086</b>	<b>5 004 869</b>	<b>(1 433 161)</b>	<b>45 090 794</b>

Index		As of the reporting year beginning	As of the reporting year end
Description	Code		
1	2	3	4
Depreciation of fixed assets – total	<b>140</b>	<b>18 971 762</b>	<b>20 865 885</b>
including:			
buildings and structures	141	8 946 122	9 238 286
machinery, equipment, vehicles	142	9 942 865	11 520 280
other	143	82 775	107 319
Fixed assets granted on lease – total	<b>150</b>	<b>147 262</b>	<b>197 728</b>
including:			
buildings	151	53 750	75 249
structures	152	15 351	27 623
machinery, equipment, vehicles	153	75 420	92 878
industrial and household tools, other fixed assets	154	2 741	1 978
Fixed assets conserved	<b>155</b>	<b>458 541</b>	<b>454 552</b>
Fixed assets rented - total	<b>160</b>	<b>437 036</b>	<b>482 917</b>
including:			
buildings and structures	161	7 058	43 485
machinery and equipment	162	1 895	13 681
vehicles	163	427 929	425 540
industrial and household tools	164	154	211
Real estate in operation and undergoing state registration	<b>165</b>	<b>905 633</b>	<b>1 022 557</b>
<b>FOR REFERENCE</b>	код	На начало отчетного года	На конец отчетного периода
	2	3	4
Change of fixed assets value due to completion, re-equipment, refurbishment and partial liquidation	180	4 589 088	5 357 475



### III. R & D EXPENSES

Type of work		As of the reporting period beginning	Received	Written-off	As of the reporting period end
Description	Code				
1	2	3	4	5	6
<b>Total</b>	<b>310</b>	<b>18 598</b>	<b>16 016</b>	<b>(11 815)</b>	<b>22 799</b>
including: research	311	<b>18 598</b>	<b>16 016</b>	<b>(11 815)</b>	<b>22 799</b>
<b>FOR REFERENCE.</b>			Code	As of the reporting period beginning	As of the reporting period end
			2	3	4
Expenses on incomplete R&D works			320	18 464	12 520
			Code	For the reporting period	For the similar period of the previous year
			2	3	4
Amount of R&D expenses that didn't give any positive results attributed to other expenses			330	1 733	1 336

### IV. EXPENSES ON NATURAL RESOURCE DEVELOPMENT

Type of work		As of the reporting period beginning	Received	Written-off	As of the reporting period end
description	cod				
1	2	3	4	5	6
<b>Total</b>	<b>410</b>	<b>1 101 507</b>	<b>48 795</b>	<b>-</b>	<b>1 150 302</b>
including:					
expenses related to getting a license for subsoil management	411	1 101 495	-	-	1 101 495
expenses related to regular payments for subsoil management for the purpose of exploration	412	12	71	-	83
expenses for reparation of complex damage to natural resources	413	--	7 666	-	7 666
other	414	--	41 058	-	41 058
<b>FOR REFERENCE</b>			Code	As of the reporting year beginning	As of the reporting year end
			2	3	4
Expenses on subsoil areas, exploration in progress and deposits evaluation, prospecting and (or) hydrogeological surveys and other similar works			420	1 101 507	1 150 302

## V. FINANCIAL INVESTMENTS

Index		Long-term		Short-term	
Description	cod	as of the reporting year beginning	as of the reporting period end	as of the reporting year beginning	as of the reporting period end
1	2	3	4	5	6
Investments into stockholders' capital (unit fund) of other organizations - <b>total</b>	510	25 541 104	83 237 209	-	-
inclusive of that of subsidiaries and affiliated companies	511	25 195 008	83 133 287	-	-
Securities of other organizations <b>total</b>	520	3	3	1	-
inclusive of: debtor's securities (bonds, notes)	521	3	3	1	-
Loans granted	525	-	10 000	48 782	-
Deposits	530	90 000	263 311	32 370 552	331 655
<b>Total</b>	<b>540</b>	<b>25 631 107</b>	<b>83 510 523</b>	<b>32 419 335</b>	<b>331 655</b>
Financial investments with current market value from the total amount	555	--	--		--

## VI. ACCOUNTS RECEIVABLE AND PAYABLE

Index		As of the reporting year	As of the reporting year end
Description	Code		
1	2	3	4
<b>Accounts receivable:</b>			
<b>short-term - total</b>	<b>600</b>	<b>15 894 395</b>	<b>23 281 812</b>
including:			
settlements with buyers and customers	601	11 058 518	14 088 941
advance payments made	604	967 129	2 008 485
others	609	3 868 748	7 184 386
<b>long-term - total</b>	<b>610</b>	<b>86 942</b>	<b>143 217</b>
including:			
settlements with buyers and customers	611	38 298	83401
advance payments made	614	3 918	16 585
other	619	44 726	43 231
<b>Total</b>	<b>620</b>	<b>15 981 337</b>	<b>23 425 029</b>
<b>Accounts payable:</b>			
<b>short-term - total</b>	<b>650</b>	<b>7 715 782</b>	<b>12 132 464</b>
including:			
settlements with buyers and customers	651	2 532 997	3 148 691
payments under arrears of wages	652	278 913	302 187
payments under arrears to state off-budget funds	653	190 885	170 764
payments of taxes and duties	654	1 032 781	1 277 380
Credit	655	-	4 082 008
advance payments received	658	3 385 922	3 054 565
other	659	294 284	96 869
<b>long-term - total</b>	<b>660</b>	<b>4 093</b>	<b>36 190</b>
<b>Total</b>	<b>670</b>	<b>7 719 875</b>	<b>12 168 654</b>

### VII. EXPENSES ON COMMON ACTIVITY (by cost component)

Index		For the reporting year	For the previous year
description	code		
1	2	3	4
Material expenses - <b>total</b>	710	73 096 618	63 738 874
including:			
raw materials and other materials	711	55 688 222	51 823 920
fuel, energy	712	10 076 515	8 102 377
industrial work and services rendered by third parties	713	7 331 881	3 812 577
Expenses on salaries and wages	720	6 516 972	5 630 235
Social allocations	730	1 612 163	1 414 799
Depreciation	740	2 382 611	1 984 847
Other costs- <b>total</b>	750	2 616 618	1 414 757
including:			
rent payments	751	37 371	11 988
taxes included into costs of products	752	575 779	632 212
mandatory insurance payments	753	124 438	117 739
<b>Total for cost components</b>	<b>760</b>	<b>86 224 982</b>	<b>74 183 512</b>
Written-off to non-industrial accounts from total costs	761	152 728	38 022
Balance change (increase [+], decrease [-]): of construction in progress	765	+1 473 962	+783 125
deferred expenses	766	+134 329	+42 941

### VIII. SECURITY

Index		Balance as of the reporting year beginning	Balance as of the reporting period end
description	code		
1	2	3	4
<b>Received - total</b>	<b>800</b>	<b>3 592 701</b>	<b>2 551 091</b>
including:			
bank guarantees	810	3 582 642	2 549 074
mortgaged property	820	10 059	2 017
including:			
fixed assets	821	1 345	1 167
inventories	823	8 714	850
<b>Paid - total</b>	<b>850</b>	<b>-</b>	<b>1 476 990</b>
including:			
guarantee & surety	860	-	1 476 990

### IX. NATIONAL ASSISTANCE

Index		Reporting period	For the similar period of the previous year
Description	code		
1	2	3	4
Budget funds received in the reporting year – total	<b>910</b>	<b>59 842</b>	<b>53 805</b>
including:			
those to cover expenses on medical treatment in excess of tariffs approved by MƏC	911	55 540	51 253
for preparedness activity	912	-	300

for medical equipment	914	14	120
for medicine, baby food and materials	915	4 288	2 132

**EXPLANATORY NOTE  
TO FINANCIAL STATEMENTS  
OJSC "NOVOLIPETSK STEEL"  
2006**

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## 1. GENERAL INFORMATION

Open Joint-stock company "Novolipetsk Steel" (hereinafter referred to as "the Company") is an integrated steel-making company specializing in production of flats of a wide variety.

Originally the Company was established in 1934 as a state owned enterprise and was reorganized into a public corporation on January 28, 1993. On August 12, 1998 the Company's name was reregistered as an open joint-stock company in accordance with the Law on Joint Stock Companies of the Russian Federation.

The Company was registered with Uniform State Register of Legal persons on 09.07.2002 under Primary State Registration Number 1024800823123.

Complete trade name of the Company in the Russian language: "Открытое акционерное общество "Новолипецкий металлургический комбинат"

Abbreviated Company name : "ОАО НЛМК"

Complete trade name of the Company in the English language: OJSC Novolipetsk Steel

Abbreviated Company name: NLMK

Location: Russian Federation

Legal address: 2, pl. Metallurgov Lipetsk 398040 RF.

### Core businesses of the Company are:

- production and sale of ferrous products;
- manufacture and sale of mechanic engineering products (equipment, tools, machinery and spare parts);
- industrial, residential and utility construction, rendering of construction and social services;

- domestic and foreign sale;
  - generation, transmission, distribution of electrical, thermal energy;
  - manufacture, erection, commissioning and repair of energy objects, electrical equipment and energy plants of customers;
  - international passenger operations and freight services by motor vehicles;
  - recycling, storage, transportation, placement, landfilling, disposal of industrial and other wastes (materials, substances);
  - environmental activity (services);
- others.

The Company has all licenses for all types of licensed activities.

#### **Branches and representative offices:**

- Far East Branch "NLMK-DV" in the city of Vladivostok;
- NLMK Representative Office in the city of Moscow;
- NLMK Representative Office in the city of Novokuznetsk.

The number of the Company's employees was 39 746 and 37 231 as of 31 December 2005 and 2006, respectively.

General Shareholders' Meeting is a Supreme Executive Body of the Company.

The Board of Directors performs general management of the Company exclusive of the issues falling within the sole competency of the General Shareholders' Meeting (as per Charter).

#### **Board of Directors as of December 31, 2006:**

Vladimir Lisin	– Chairman of the Board of Directors
Vladimir Skorokhodov	– Deputy Chairman of the Board of Directors
Oleg Bagrin	
Nikolai Gagarin	
Dmitry Gindin	
Karl Doering	
Randolph Reynolds	
Igor Fyodorov	

In order to resolve specific issues faced by the Company the Board of Directors has set up continuously operating consulting committees: Strategic Planning Committee, Audit Committee and HR, Remunerations and Social Policy Committee.

Management of the Company's day-to-day operation and execution of power as regards subsidiaries, affiliates and other legal entities (where the Company is a participant, founder or a member) fall within the competence of the Company's sole executive authority – President (Chairman of the Management Board) and collegial executive authority of the Company – Management Board, operating by virtue of the Company Charter and Regulations on the Management Board.

#### **Management Board as of 31 December 2006:**

Alexey Lapshin	- President (Chairman of the Management Board)
Vladimir Nastich	- Senior Vice-president – Director General
Galina Aglyamova	- Vice-president, CFO
Igor Anisimov	- Vice-president, Purchasing

Dmitry Baranov	- Vice-president, Sales
Alexander Zarapin	- Vice-president, Head of Coal Division
Yuri Larin	- Vice-president, Technology & Environment
Alexander Saprykin	- Vice-president, Head of Iron Ore Division
Stanislav Tsyrlin	- Vice-president, HR & Management System

The Audit Commission supervises the financial and economic activity of the Company on the basis of the Charter. Members of the Audit Commission are elected for one year by General Shareholders' Meeting.

#### **The Audit Commission as of 31.12.2006:**

Valery Kulikov	– Chairman of the Audit Commission, Internal Audit Director
Natalya Kurasevich	– senior auditor of Internal Audit Division
Olga Savushkina	– senior auditor of Internal Audit Division
Galina Shipilova	– head of Tax Audit Bureau Internal Audit Division

#### **Information on Register Holder and Auditor:**

Register Holder of the Company is LLC R-Stinol; license No. 10-000-1-00342, dd. 30.11.2006 with unlimited validity. The Register of the issuer's securities is held by the registrar from 4 March 2004.

The Company's Auditor is CJSC PricewaterhouseCoopers Audit; license E 000376, issued on 20.05.2002 valid for 5 years.

## **2. SIGNIFICANT ASPECTS OF ACCOUNTING POLICY AND BASIS OF FINANCIAL STATEMENTS PREPARATION**

These financial statements were prepared in accordance with the rules of accounting and reporting, in particular, Federal Law "On accounting" and Regulation on accounting and reporting in the Russian Federation approved by the RF Ministry of Finance.  
Accounting unit – thousand rubles.

Consolidated financial statements of the Company are compiled in accordance with the United States Generally Accepted Accounting Principles (US GAAP).

### **2.1 INTANGIBLE ASSETS**

#### **Evaluation basis**

Intangible assets are reflected in balance sheets upon actual costs of acquisition, manufacture and additional expenses in order to bring assets to a state in which they could be used as intended, less depreciation charged.

#### **Amortization**

Amortization of intangible assets is charged on a straight-line basis within their useful lives. Useful life of intangible assets is calculated on the basis of intangible assets validity and other restrictions on time of intellectual property use according to the legislative requirements of the Russian Federation or on the basis of expected useful life within which the Company can gain revenues. Should it be impossible to define useful lives for intangible assets, standard



amortization charges are established on the basis of a 20-year term.

## 2. 2 FIXED ASSETS

### Structure of fixed assets

When assets are put on accounting as fixed assets the Company is governed by PBU (Russian Accounting Standard) 6/01 "Accounting of fixed assets".

Assets valued below 10 000 rubles and meeting fixed asset criteria, as well as books, brochures or other publications purchased are accounted within inventories in section 10 "Materials" and are written off as production costs when they are put to use. Before 2006 these assets were accounted within fixed assets. In order to achieve comparability of the data all the related accounting figures for the previous reporting periods have been adjusted.

Special tools, devices, equipment and special clothing the lifetime of which is longer than 12 months and the cost of which is less than 10 000 rubles per item are accounted under the procedure established for fixed asset accounting.

Real estate put into operation, actually used and depreciable where the state registration of title has not been performed is accounted among fixed assets.

### Evaluation basis

Historical costs of fixed assets acquired by the Company subject to payment are formed upon actual costs and include expenses on construction and acquisition of fixed assets less taxes payable. Historical costs of fixed assets received under agreements which provide for fulfillment of liabilities (payments) by non-monetary funds shall be recognized as a price of valuables handed over or to be handed over on the basis of price upon which the Company usually defines value of similar valuables in comparable circumstances.

Value of fixed assets received free of charge is accounted as deferred income upon market value with subsequent attribution to financials as extraordinary income during their useful life in the amount of accrued depreciation.

Costs related to completion, additional supply of equipment, modernization and upgrading increase historical cost of fixed assets.

*According to the Regulations of the RF Government the Company annually revaluated its fixed assets from 1992 to 1997. After that fixed assets have not been revaluated.*

Fixed assets purchased after 01.01.1997 are shown in the balance sheet at historical cost, and those purchased before 01.01.1997 – at replacement cost minus depreciation accumulated during operation.

### Depreciation

Depreciation of fixed assets is charged on a straight-line basis from historical (replacement) value and norms for depreciation calculated for estimated useful lives of these objects. Useful lives for new objects to be introduced on 01.02.2003 and subsequent years shall be defined by the Company on its own taking into consideration requirements of RF Government Regulations No. 1 «On classification of fixed assets to be included into depreciation groups» dd. 01.01.2002.

<i>Fixed assets</i>	<i>Estimated useful life</i>
Buildings	8-80 years
Structures	3-20 years
Machinery and equipment	5-13 years
Vehicles	mileage
Others	4-20 years

For fixed assets put into operation before 01.01.2003 useful live depreciation is set on the basis of norms for depreciation approved by Resolution of Council of Ministers of the USSR № 1072

"On uniform norms of depreciation for complete recovery of national economy of the USSR".  
dd. 22.10.1990

*For objects under preservation for more than three months as well as within renewal period over 12 months depreciation is not charged.*

### **Retirement, writing-off and disposal**

Retired or disposed fixed assets shall be written off balance sheet together with accrued depreciation. From the time of fixed asset retirement, amount of its additional evaluation shall be transferred from paid-in capital to retained profit of the Company remaining within the equity.

Any profits or losses induced by fixed asset retirement shall be reflected in Income Statement of the reporting period when they were incurred as other income or expenses.

## **2. 3 R&D EXPENSES**

In accordance with Regulations on accounting " Accounting of expenditures for scientific research, development and design works" PBU (RAS) 17/02 information on scientific research, development and design works appears in financial statements as investment into non-current assets.

Scientific research, development and design works results of which are used for production and management are shown in 04 "Intangible assets" account separately and refer to "Other non-current assets" group. They are written off on a straight-line basis as operational expenses during three years starting from the first day of the next month after their actual use commencement.

## **2. 4 FINANCIAL INVESTMENTS**

**Financial investments are accounted according to Regulation on accounting PBU 19/02 "Financial investment accounting".**

Financial investments are accounted at their historical costs on the basis of actual expenses on their acquisition. Only those financial investments are revaluated as of the reporting period termination for which market values are defined in the set order.

Should there be indications of impairment for financial investments where market value cannot be defined, the Company makes a reserve as of December 31 of the reporting year.

Debt securities and loans granted are not evaluated at their discounted value.

In case of retirement securities (shares, bonds) for which current market value is not defined are evaluated at their average historical costs.

Interest on securities is recognized as income as soon as they mature.

## **2. 5 INVENTORIES**

Inventories acquired for payment are assessed at their actual cost including all costs of acquisition up to the moment of inventories acceptance for accounting. Acquisition costs recognized after value generation are shown in account 16 "Changes in inventory value" and are written-off to expenses in full volume on a monthly basis according to inventory applications.

Inventories received without settlement documents of suppliers are debited as non-invoiced deliveries according to contract prices.

Upon inventory use in production and other retirement thereof evaluation of inventories is

effected on the basis of average value in the calculation of which quantity and value of materials as of the reporting month beginning and all yearly earnings are included.

Finished products are accounted on the basis of their actual production cost for each kind of products. Finished products aimed for export are accounted separately.

In the balance sheet inventories are accounted considering valuation reserves accrued on non-used long-storage stock.

## **2. 6 PRODUCTION IN PROGRESS**

Production in progress as of the reporting period end at each stage of production is evaluated on the basis of the average value generated on the assumption of the cost of production in progress as of the period beginning and production costs of the reporting period.

Evaluation of production in progress according to order-by-order calculation method is effected on the basis of actual costs.

## **2. 7 INCOME AND EXPENSES**

Income and expenses of the Company are classified as operational and other income and expenses.

In case of income group separation, while each group accounts for 5 or more per cent of total income for the reporting period, a corresponding expense group is also foreseen.

Sales proceeds are defined as of transfer date of title for products, goods, results of works, services rendered (for charge) on the basis of documents presented to buyers (customers).

Production costs of products (works, services) sold domestically or exported are defined by straight-line calculation on the basis of types of products and their actual costs.

Expenses related to products (services, works) sales are recognized in full in costs of products (services, works) sold in the reporting period as operational expenses.

Income and expenses of subdivisions accounted on separate balance sheets are recognized as operational income and expenses.

Deferred income irrespective of its group is to be attributable to the corresponding accounts of expenses on a monthly basis in equal shares within the validity period of the agreement, certificate or license or in amounts determined by the Company's settlements.

Expenses on voluntary property and personal insurance are included into costs of products manufactured (services rendered) within the reporting period in which the payment was effected under the agreement terms and conditions. If payment of lumpsum insurance fees is provided for by insurance agreement concluded for more than one reporting period, expenses are recognized proportionally within the agreement validity.

Expenses on repair and maintenance of fixed assets are recognized as expenses on common activity at the moment it is completed.

Income generated from granting of assets, rights, arising out of patents for inventions, industrial models and other kinds of intellectual property for temporary use and possession subject to payment, from holding shares in chartered capitals of other organizations, interests received from granting organization's monetary funds for use, and other income from securities not related to the organization's core activity is attributed to other income.

Costs related to security acquisition making up less than 5% of the amount to be paid to the seller under contract are acknowledged as other operating expenses.

The Company generates provisions for inventory impairment, for financial investment depreciation, provisions for bad debts and other provisions accrued in accordance with the standard documents of the bodies regulating accounting. Accrual of evaluation reserves is effected from other expenses.

## 2.8 CREDITS AND LOANS RECEIVED

Interest on credits and loans received as well as additional costs related to their servicing, are included into other (extraordinary) expenses in the reporting period, when they were incurred.

## 2.9 OPERATIONS IN FOREIGN CURRENCY

Operations in foreign currency are initially reflected in Russian rubles according to exchange rate of the RF Central Bank published on date of the operation. Monetary items (cash and its equivalents on foreign currency and deposit accounts, financial investments into short-term securities and receivables, including loans granted and received), expressed in foreign currency as of the date of the balance sheet are reflected based on the exchange rate published as of the date of the reporting period end. Exchange rate differences are reflected as extraordinary income and expenses separately from other income and expenses including financial results from operations in foreign currency during the period when they occurred.

Exchange rate differences are calculated:

- as of last day of each month;
- as of the date of discharge of payment obligations.

Exchange rates of foreign currencies to Russian ruble set by the RF Central Bank:

	<i>(rubles)</i>	
<b>Foreign currency</b>	<b>31.12.2005</b>	<b>31.12.2006</b>
1 USD	28,7825	26,3311
1 EUR	34,1850	34,6965

## 2.10 TAXES

### Income tax

Accounting and taxable profit are defined according to current legislative requirements of the Russian Federation using different methods of assessment and accounting of income and expenses. According to PBU 18/02 "Accounting of income tax computation" the Company takes into account constant and temporary differences which are generated on the basis of analytical data by comparison of balances on accounts and tax accounts. Comparison is made by groups of similar objects accounted in corresponding accounts.

Deferred tax assets and liabilities are shown in the balance sheet as non-current assets and long-term liabilities, respectively.

### Value added tax

In accordance with amendments to the Tax Code of the Russian Federation from 1 January 2006 tax base is determined by the moment of discharge of products (works, services).

Taxes charged before 1 January 2006 for products shipped (works performed, services rendered), but not yet paid for, are accounted within accounts payable, and for long-term accounts receivable – within other long-term liabilities.

### Property tax

Fixed assets, for which tax benefits are provided, are accounted separately.

### Land tax

The Company pays land tax since it has property right to industrial area land. The Company

pays rent for the rest of the land.

## 2. 11 CHANGES IN ACCOUNTING POLICY

In accordance with amendments to the Company's accounting policy for 2006 fixed assets valued at less than 10 thousand rubles, as well as books, brochures and other publications purchased are accounted within inventories item.

The Company's accounting policy for 2007 provides for inclusion of fixed assets valued at less than 20 thousand rubles into inventories.

In line with the Order of the RF Ministry of Finance dd. 27.11.2006 No. 154n the Company is going to recalculate the balance of accounts receivable expressed in foreign currency, but subject to payment in rubles as of 01.01.2007. The expected differences generated by the recalculation will not have any significant impact on the retained earnings balance carried down.

>From 2007 differences generated by recalculation of liabilities expressed in foreign currency, but subject to payment in rubles will be accounted within other income and expenses, as well as exchange differences.

## 2. 12 INPUTS AND COMPARATIVE DATA

Balance sheet data as of the beginning of 2006 are derived from the balance sheet as of the end of 2005 by means of adjustment due to changes in accounting policy as regards accounting of fixed assets valued at less than 10 thousand rubles. Besides, this adjustment resulted in modification of some inputs in Appendix to the Balance Sheet (Form No. 5).

Item (line code)*	31.12.2005	adjustment	01.01.2006
<b>Balance Sheet (form No.1)</b>			
Fixed assets (120)	22 568 761	-21 437	22 547 324
Inputs, raw materials and other similar valuables (211)	9 879 220	+21 437	9 900 657
<b>Appendix to the Balance Sheet (form No.5)</b>			
Machinery & equipment (062)	21 042 285	-3 532	21 038 753
Industrial & household equipment (064)	102 451	-17 905	84 546

\* Totals of the accounting forms specifies, where the adjusted items were included, have changed significantly.

In the Company's 2006 Profit & Loss Statement in accordance with the Order of the RF Ministry of Finance dd.18.09.2006 No. 115n "On amendment of statutory legal instruments on accounting", operating, non-operating and extraordinary income shown earlier in lines 090, 120 and 135, have been consolidated into item "Other income" (line 090), whereas similar expenses (lines 100, 130 and 136) – into item "Other expenses" (line 100).

The data of Profit & Loss Statement for the previous year (column 4) have been recalculated due to reclassification of income and expenses from in-house inventory sales as other income and expenses in 2006.

Item (line code)	prior to adjustment	adjustment	after adjustment
Revenue (net) from sale of goods, products,	119 345 086	(124 397)	119 220 689

works and services (010)			
Cost of goods, products, works and services sold (020)	(68 567 057)	64 935	(68 502 122)
Gross profit (029)	50 778 029	(59 462)	50 718 567
Commercial expenses (030)	(2 549 177)	3 157	(2 546 020)
Profit (loss) from sales (050)	46 025 085	(56 305)	45 968 780
Other income (090)	50 963 317	124 397	51 087 714
Other expenses (100)	(52 661 368)	(68 092)	(52 729 460)

Considering the adjustments specified in this paragraph similar figures for the previous reporting periods have been recalculated in the explanatory note.

In order to disclose significant indices in the Cash Flow Statement separate lines "deposits" (line 320) and refund of deposits (line 255) have been singled out, whereas the figures in lines 300 and 220 for the previous reporting period have been reduced by the respective amounts.

### 3. DESCRIPTIONS AND EXPLANATIONS

#### 3.1 STRUCTURE OF NLMK'S BALANCE SHEET

ASSETS (LINE CODE)	Description paragraph	01.01.2006		31.12.2006		Difference
		Amount	Share	Amount	Share	
<b>I. Non-current assets</b>						
Intangible assets (110)	-	3 855	0,00	3 555	0,00	-300
Fixed assets (120)	3.2	22 547 324	16,25	24 224 909	13,98	1 677 585
Work in progress (130)	3.2	8 081 524	5,83	14 949 535	8,63	6 868 011
Long-term financial investments (140)	3.5	25 631 107	18,47	83 510 523	48,21	57 879 416
Deferred tax assets (145)	3.14	15 278	0,01	33 723	0,02	18 445
Advance payments under non-current assets (149)	3.3	3 946 621	2,85	3 077 420	1,78	-869 201
Other non-current assets (150)	3.4	1 138 593	0,82	1 136 814	0,66	-1 779
Total Section I (190)		61 364 302	44,23	126 936 479	73,28	65 572 177
<b>II. Current assets</b>						
Inventories (210)	3.6	15 199 227	10,95	19 360 451	11,18	4 161 224
VAT (220)	3.14	2 387 494	1,72	2 279 672	1,32	-107 822
Long-term receivables (230)	3.7.1	86 942	0,06	143 217	0,08	56 275
Short-term receivables (240)	3.7.1	15 894 395	11,46	23 281 812	13,44	7 387 417
Short-term financial investments (250)	3.5	32 419 335	23,37	331 655	0,19	-32 087 680
Cash and cash equivalents (260)	3.8	11 382 710	8,2	858 985	0,50	-10 523 725
Other current assets (270)	-	16 504	0,01	17 869	0,01	1 365
Total Section II (290)		77 386 607	55,77	46 273 661	26,72	-31 112 946
<b>BALANCE (300)</b>		<b>138 750 909</b>	<b>100</b>	<b>173 210 140</b>	<b>100</b>	<b>34 459 231</b>
LIABILITIES (LINE CODE)	Номер пояснения	01.01.2006		31.12.2006		Изменение
		Сумма	Уд. вес	Сумма	Уд. вес	
<b>III. Equity and reserves</b>						
Authorized capital (410)	3.9	5 993 227	4,32	5 993 227	3,46	-
Paid-in capital (420)	3.9	4 358 869	3,14	4 338 950	2,51	-19 919
Capital reserves (430)	3.9	299 661	0,22	299 661	0,17	-
Retained profit (unsecured loss) (470)	3.9	119 095 970	85,83	148 647 734	85,82	29 551 764
Total Section III (490)		129 747 727	93,51	159 279	91,96	29 531 845

<b>IV. Long-term liabilities</b>						
Deferred tax liabilities (515)	3.14	1 187 505	0,86	1 625 673	0,94	438 168
Other long-term liabilities (520)	3.7.2	4 093	0,00	36 190	0,02	32 097
<b>Total Section IV (590)</b>		<b>1 191 598</b>	<b>0,86</b>	<b>1 661 863</b>	<b>0,96</b>	<b>470 265</b>
<b>V. Short-term liabilities</b>						
Credits and loans (610)	3.11	-	-	4 082 008	2,36	4 082 008
Accounts payable (620)	3.7.2	7 715 782	5,56	8 050 456	4,65	334 674
Debt to participants (founders) on income payment (630)	3.10	73 470	0,05	112 675	0,06	39 205
Deferred income (640)	-	22 332	0,02	23 566	0,01	1 234
<b>Total Section V (690)</b>		<b>7 811 584</b>	<b>5,63</b>	<b>12 268 705</b>	<b>7,08</b>	<b>4 457 121</b>
<b>BALANCE (700)</b>		<b>138 750 909</b>	<b>100</b>	<b>173 210 140</b>	<b>100</b>	<b>34 459 231</b>

## LIQUIDITY RATIOS

Description	Formula	Standard value	2002	2003	2004	2005	2006
Current ratio	$\frac{\text{FN}\#1 \text{ line } 290\text{-line } 230}{\text{FN}\#1 \text{ line } 690\text{-line } 640}$	2	6,76	8,66	7,82	9,92	3,77
Quick ratio	$\frac{\text{FN}\#1 \text{ line } 290\text{-line } 230\text{-line } 210}{\text{FN}\#1 \text{ line } 690\text{-line } 640}$	1	5,03	6,98	6,06	7,97	2,19
Absolute liquidity ratio	$\frac{\text{FN}\#1 \text{ line } 250\text{+ line } 260}{\text{FN}\#1 \text{ line } 690\text{-line } 640}$	0,2	3,07	5,03	4,09	5,62	0,10

In 2006 credit rating agency Standard and Poor's raised the Company's rating on an international scale up to «BB+» with stable growth potential. Rating agency Moody's also raised the Company's rating in the reporting year up to «Ba1» level on an international scale with "stable" development forecast. In January 2007 Fitch Ratings agency assigned «BB+» issuer's default rating to the Company with "stable" forecast. The ratings assigned show high level of the Company's credit worthiness. Low cost production base and significant cash flow generation ability result in efficient financial performance of the Company during industrial cycle.

### 3. 2 FIXED ASSETS AND CAPEX

#### Fixed assets

Description	2005	2006	Difference
Historical cost	41 519 086	45 090 794	3 571 708
Accrued depreciation	(18 971 762)	(20 865 885)	1 894 123
Residual value	22 547 324	24 224 909	1 677 585
Received	3 969 431	5 004 869	1 035 438
Retired	607 370	1 433 161	825 791
Depreciation (per year)	(2 006 848)	(2 404 053)	397 205

Cost of fixed assets with depreciable value repaid fully as of 31.12.2006 amounts to 7 700 979 thousand rubles (17,08% of historical cost of fixed assets).

In 2006 the Company's expenses for capital and routine maintenance were 5 945 023 thousand rubles.

#### Non-depreciable fixed assets

Description	31.12.2005	31.12.2006	Difference
Land	1 044 205	1 051 195	6 990
Facilities removed from operation	458 541	454 552	- 3 989
Housing	42 384	42 384	-
Others	2 602	2 597	- 5
<b>Total</b>	<b>1 547 732</b>	<b>1 550 728</b>	<b>2 996</b>

Residual value of fixed assets granted on lease amounted to 85 242 thousand rubles and 112 706 thousand rubles as of 31 December 2005 and 2006, respectively.

### Investments into fixed assets and intangible assets

In 2006 the Company continued implementation of its Technical Upgrading Program. In September 2006 NLMK's Board of Directors approved Stage II of the Program for the period from 2007 to 2011.

The total value of the facilities commissioned within the frames of annual Capex Program in 2006 was 4 979 543 thousand rubles. Other acquisitions of fixed assets in 2006 amounted to 25 326 thousand rubles.

### Investment volume

Description	2002	2003	2004	2005	2006
Intangible assets	888	1 569	902	331	193
Acquisition of fixed assets	1 494 383	410 556	2 219 964	1 383 797	1 465 896
Acquisition of equipment for installation	1 753 689	2 775 610	3 946 666	2 927 217	6 254 402
Civil, installation and other capital works	953 689	1 423 256	2 054 132	3 024 328	4 355 731
Advance payments	1 086 617	1 387 455	694 482	3 740 004	2 046 875
<b>Total</b>	<b>5 289 266</b>	<b>5 998 446</b>	<b>8 916 146</b>	<b>11 075 677</b>	<b>14 123 097</b>

### Major facilities of the investment program commissioned in 2006:

Coke Plant: revamping of coke battery No.1.

Co-generation Plant: installation of a 25 MW turbine generator.

BOF Shop No.1: installation of 160t vertical converter with tilting drive.

### Efficiency of fixed asset utilization

Description	Formula	2002	2003	2004	2005	2006
Return on investment	$\frac{\text{Sales proceeds}}{\text{Average fixed assets value}}$	4,96	5,95	7,33	5,51	5,60
Depreciation of fixed assets	$\frac{\text{Fixed assets depreciation}}{\text{Original cost of fixed assets}}$	0,58	0,55	0,46	0,46	0,46
Replacement of fixed assets	$\frac{\text{Fixed assets acquired over the period}}{\text{Original value of fixed assets as of the period end}}$	0,10	0,11	0,23	0,10	0,11
Retirement of fixed assets	$\frac{\text{Fixed assets retired over the period}}{\text{Original value of fixed assets as of the period beginning}}$	0,03	0,02	0,02	0,02	0,03

### 3. 3 ADVANCE PAYMENTS MADE UNDER NON-CURRENT ASSETS

Description	31.12.2005	31.12.2006
Equipment suppliers	3 606 682	2 724 358



Contractors for construction, installation, design and survey works	337 818	351 098
R&D	-	1 000
Others	2 121	964
<b>Total</b>	<b>3 946 621</b>	<b>3 077 420</b>

### 3. 4 OTHER NON-CURRENT ASSETS

In the structure of other non-current assets the balance sheet reflects payments in the amount of 1 101 495 thousand rubles related to obtaining a license for usage of subsoils of Zhernovsky coking coal field. The license is valid for 20 years.

### 3. 5 FINANCIAL INVESTMENTS

The Company has shareholding and participates in different Russian and foreign companies. Shares of these companies do not have regular listings in Russian and foreign stock exchanges and are reflected in financial statements at their acquisition costs taking into account provision for impairment.

#### Short-term financial investments

Description	31.12.2005	Received	Retired	31.12.2006	Provision charged for impairment as of 31.12.2006
Securities (notes)	1	3 096	3 097	-	-
Deposits	32 370 552	3 536 127 253	3 568 166 150	331 655	-
Loans with maturity period exceeding 12 months.	48 782	-	48 782	-	-
<b>Total</b>	<b>32 419 335</b>	<b>3 536 130 349</b>	<b>3 568 218 029</b>	<b>331 655</b>	<b>-</b>

#### Long-term financial investments

Description	31.12.2005	Received	Retired	31.12.2006	Provision charged for impairment as of 31.12.2006	Book value as of 31.12.2006
Investments into subsidiaries	25 153 561	40 921 952	2 215 128	63 860 385	1 935 879	61 924 506
including: transferred from affiliates	-	99 098	-	-	-	-
Investments into affiliates	99 156	21 208 723	99 098	21 208 781	-	21 208 781
including: transferred to subsidiaries	99 098	-	99 098	-	-	-
Investments into other organizations	346 096	-	242 174	103 922	-	103 922
Investments into joint operations	1 487	-	-	1 487	1 487	-
Loans granted to organizations for over 12 months	-	10 000	-	10 000	-	10 000

Debt securities (deposit certificates, notes)	3	-	-	3	-	3
Other long-term financial investments (deposits)	90 000	281 478	108 167	263 311	-	263 311
<b>Total</b>	<b>25 690 303</b>	<b>62 422 153</b>	<b>2 664 567</b>	<b>85 447 889</b>	<b>1 937 366</b>	<b>83 510 523</b>

As of 31.12.2006 market value of common shares of OJSC "Lipetskenergo" and OJSC "TGK-4" traded at Moscow Interbank Currency Exchange (MICEX) without listing procedure has been calculated.

The Company, taking into account insufficient trading volumes and sale of shareholdings in February 2007 (see Note 3.17), showed them at their original value in its accounting.

### Market value of shares

Description	Original cost of shareholding	Market value per share	Market value of shareholding
OJSC "Lipetskenergo"	3 907	20,9100	458 989
OJSC "Territorial Generating Company No.4"	71 652	0,0273	1 024 509
<b>Total</b>	<b>75 559</b>		<b>1 483 498</b>

To the effect of greater presence in the foreign market and verticalization of production capacities the Company concluded material transactions aimed at acquisition of Russian and foreign companies in 2006.

In January 2006 the Company acquired 100% shareholding in Danish steel-maker DanSteel A/S for 2 993 380 thousand rubles.

In April 2006 NLMK acquired 100% of holding company Kuzbass Asset Holdings Limited, Gibraltar, having 100% shareholding in a group of coal companies "Prokopyevskugol". The contract price was 1 871 168 thousand rubles. Prokopyevskugol Group is engaged in valuable coking coal mining and processing in Kemerovo Region.

In the course of reporting year the Company purchased shareholding in coke company OJSC "Altai-Koks" in several stages. The total transaction amount was 17 667 135 thousand rubles. As a result of these operations the Company's share in the authorized capital of OJSC "Altai-Koks" became 93,64%.

In July 2006 the Company acquired additional 30% in the equity of LLC "Independent Transport Company" (NTK) for 18 946 thousand rubles. LLC "NTK" is a key logistic asset of the Company providing for timely raw material supply for steel-making and delivery of finished products to the consumers. The transaction resulted in 100% shareholding in the subsidiary's authorized capital.

In October 2006 the Company transferred some property as an additional contribution into the authorized capital of LLC "Independent Transport Company" (see Note 3.15.2).

In July 2006 the Company founded LLC "Vtorchermet NLMK" with the authorized capital of 300 thousand rubles.

In September 2006 the Company acquired 100% in LLC "VIZ-Stal", the second largest producer of electrical steel in Russia. The contract value was 14 736 150 thousand rubles. Additional expenses related to the acquisition were 18 728 thousand rubles.

In September 2006 the Company acquired 312 798 common shares placed in accordance with Resolution on the 14<sup>th</sup> emission of the 12<sup>th</sup> issue and Prospectus of Securities by OJSC Bank of Social Development & Construction "Lipetskcombank" for 93 839 thousand rubles. The Company's share has not changed significantly.

In December the Company completed acquisition of 50% shareholding in Steel Invest & Finance (Luxembourg) S.A., including steel-making and rolling facilities, as well as service centers in Europe and USA. The transaction amount was 21 208 723 thousand rubles.

In December the Company founded a limited liability subsidiary NLMK International B.V. incorporated in Netherlands to improve its foreign asset management. The Company holds 100% of its authorized capital. The shareholders' equity issued is paid up in the amount of 6 951 thousand rubles.

In the reporting period the Company has increased its share in OJSC "KMAruda" from 32,89% to 92,04%. Acquisition of additional shareholding cost 2 116 030 thousand rubles. In September 2006 the Company completed sale of its shareholding in OJSC KMAruda having book value 2 215 128 thousand rubles. Proceeds from sale amounted to 8 081 544 thousand rubles.

In order to optimize the Company's asset structure in January NLMK sold its 11,96% shareholding in OJSC Lebedinsky GOK. Proceeds from sale amounted to 11 307 880 thousand rubles.

#### The Company's income on deposits:

Description	Amount		Average interest rate	
	2005	2006	2005	2006
Long-term deposits in foreign currency	27 612	16 393	6,50	7,50
Long-term deposits in rubles	-	4 512	-	7,50
Short-term deposits in foreign currency	1 337 857	837 854	3,98	4,30
Short-term deposits in rubles	189 698	289 699	5,21	4,05
Deposit certificates in rubles	165 929	-	10,82	-
<b>Total</b>	<b>1 721 096</b>	<b>1 148 458</b>	<b>-</b>	<b>-</b>

#### Income from securities

Description	2005	2006
Dividends	543 931	2 655 708
Interest income on bonds	2 842	-
<b>Total</b>	<b>546 773</b>	<b>2 655 708</b>

### 3. 6 INVENTORIES

#### Inventory structure (book value)

Description	31.12.2005		31.12.2006		Difference
	Amount	Share	Amount	Share	
Inputs, raw materials and other similar valuables – total:	<b>9 900 657</b>	65,14	<b>12 663 869</b>	65,41	<b>2 763 212</b>
including: raw materials	<b>3 351 163</b>		<b>5 805 159</b>		
fuel	<b>429 381</b>		<b>433 965</b>		

spare parts	1 926 930		1 822 128		
auxiliary materials	3 117 221		3 173 799		
integral supplements	784 881		983 598		
WIP costs	4 029 247	26,51	5 540 674	28,62	1 511 427
including:					
mainline production	3 518 349		4 701 207		1 182 858
housing construction	510 898		839 467		328 569
Finished products and goods for reselling	840 227	5,53	584 692	3,02	-255 535
Goods shipped	5 913	0,04	232 732	1,20	226 819
Deferred expenses	333 043	2,19	310 118	1,60	-22 925
Others	90 140	0,59	28 366	0,15	-61 774
<b>Total</b>	<b>15 199 227</b>	<b>100</b>	<b>19 360 451</b>	<b>100</b>	<b>4 161 224</b>

In order to show actual valuation of the Company's inventories a provision for their impairment is set up calculated from 2006 according to the method taking into account the cost of non-used long-term stored inventories revealed and their possible sale price.

### Provision for inventory impairment

Description	31.12.2005	31.12.2006
Provision for inventory impairment	411	552 878
Provision for WIP impairment	-	28 972
Provision for finished product impairment	-	23 241
<b>Total</b>	<b>411</b>	<b>605 091</b>

### Efficiency of production inventory use

Показатель	2002	2003	2004	2005	2006
Financial costs, thousand rubles (Form No. 5, line 711 + line 712)	26 224 391	35 274 117	54 068 138	59 926 297	65 764 737
Average remains of production inventories (Form No. 1, line 211)	4 409 391	5 232 333	7 760 632	9 657 495	11 282 263
Turnover ratio, turnovers per year (line1/line2)	5,95	6,74	6,97	6,21	5,83
Duration of production inventory storage, days (365/line3)	61	53	52	58	62

## 3. 7 ACCOUNTS RECEIVABLE AND PAYABLE

### 3. 7. 1 Structure of accounts receivable (book value)

Description	31.12.2005		31.12.2006		Difference
	Amount	Share	Amount	Share	
Buyers and customers	11 096 816	55,68	14 172 342	53,48	3 075 526
Advance payments made*	4 917 668	24,68	5 102 490	19,25	184 822
Other debtors	3 913 474	19,64	7 227 617	27,27	3 314 143
<b>Total accounts receivable</b>	<b>19 927 958</b>	<b>100</b>	<b>26 502 449</b>	<b>100</b>	<b>6 574 491</b>

\* Here and further information takes into account advance payments made for non-current assets.

## Bad debt provisions

Description	31.12.2002	31.12.2003	31.12.2004	31.12.2005	31.12.2006
Buyers and customers	54 775	29 448	41 166	65 652	47 309
Advance payments made	821	4 757	153	96	-
Other debtors	60 543	139 228	119 489	90 146	2 915 779
<b>Total</b>	<b>116 139</b>	<b>173 433</b>	<b>160 808</b>	<b>155 894</b>	<b>2 963 088</b>

## Accounts receivable as of 31.12.2006 split by maturity

Accounts receivable	Maturity according to contracts				Total
	less than 90 days	91 - 180 days	181 days - 1 year	more than 1 year	
<b>Receivables, total</b>	<b>22 437 488</b>	<b>2 236 744</b>	<b>1 018 253</b>	<b>809 964</b>	<b>26 502 449</b>
including:					
buyers and customers	14 079 495	5 013	4 433	83 401	<b>14 172 342</b>
advance payments made	2 431 692	977 405	1 010 061	683 332	<b>5 102 490</b>
other debtors	5 926 301	1 254 326	3 759	43 231	<b>7 227 617</b>
<b>Share, %</b>	<b>84,66</b>	<b>8,44</b>	<b>3,84</b>	<b>3,06</b>	<b>100</b>
Overdue					436 464

## Other debtors

Type of debt	31.12.2005			31.12.2006		
	Amount of debt	Provision amount	Book value	Amount of debt	Provision amount	Book value
<b>Other long-term receivables, total including:</b>	<b>44 726</b>	<b>-</b>	<b>44 726</b>	<b>43 231</b>	<b>-</b>	<b>43 231</b>
settlements with personnel on other operations	44 726	-	44 726	38 231	-	38 231
settlements with customs authorities	-	-	-	5 000	-	5 000
<b>Other short-term receivables, total including:</b>	<b>3 958 894</b>	<b>90 146</b>	<b>3 868 748</b>	<b>10 100 165</b>	<b>2 915 779</b>	<b>7 184 386</b>
interest-free loans granted	-	-	-	3 694 330	2 872 397	821 933
settlements with budget and off-budget funds in terms of taxes and duties	2 492 201	-	2 492 201	3 390 677	-	3 390 677
settlements with advance holders	488	-	488	646	-	646
settlements with staff in terms of wages, salaries and other operations	47 457	-	47 457	58 274	-	58 274
settlements for claims	112 356	89 783	22 573	72 540	43 043	29 497
settlements for interest accrued	62 776	-	62 776	230	-	230
settlements with customs	160 008	-	160 008	561 907	-	561 907
settlements for financial investments	850 040	-	850 040	976 603	-	976 603

settlements for commission and agency agreements	-	-	-	72 142	-	72 142
VAT on unconfirmed export	170	-	170	7 002	-	7 002
	544	-	544		-	
interest-free notes	775	-	775	1 249 992	-	1 249 992
others	62 249	363	61 886	15 822	339	15 483

### Accounts receivable turnover trend

Index	2002	2003	2004	2005	2006
Proceeds from sales	53 267 435	74 893 880	126 102 009	119 220 689	140 301 567
Average accounts receivable (F№1 av. line 240)	6 483 117	7 831 256	11 012 477	14 340 343	19 588 104
Accounts receivable turnover ratio (turns per year), (line 1/ line 2)	8,22	9,56	11,45	8,31	7,16
Average period of buyer crediting (days) (360/ line 3)	44	38	31	43	50

### 3. 7. 2 Structure of accounts payable and liabilities

Description	31.12.2005		31.12.2006		Difference
	Amount	Share	Amount	Share	
Suppliers and contractors	2 532 997	32,50	3 148 691	25,64	615 694
Debt to personnel	278 913	3,58	302 187	2,46	23 274
Debt to the budget and state off-budget funds	1 223 666	15,70	1 448 144	11,79	224 478
Debt to the shareholders in terms of dividends *	73 470	0,94	112 675	0,92	39 205
Advance payments received**	3 385 922	43,45	3 054 565	24,87	-331 357
Credits	-	-	4 082 008	33,24	4 082 008
Other creditors	298 377	3,83	133 059	1,08	-165 318
<b>Total accounts payable and liabilities</b>	<b>7 793 345</b>	<b>100</b>	<b>12 281 329</b>	<b>100</b>	<b>4 487 984</b>

\* All procedures established by the Russian Law related to notification of shareholders of the right to dividends are fulfilled by the Company.

\*\* Here and further advance payments received from buyers and customers are reflected free of VAT to be paid to the budget.

### Accounts payable and liabilities as of 31.12.2006 split by maturity

Description	Maturity according to contracts				Total
	less than 90 days	91 - 180 days	181 days – 1 year	more than 1 year	
<b>Accounts payable and liabilities total</b>	<b>10 799 308</b>	<b>885 202</b>	<b>560 629</b>	<b>36 190</b>	<b>12 281 329</b>
including:					
buyers and customers	2 607 979	49 916	490 796	-	3 148 691
debt to personnel	302 187	-	-	-	302 187
debt to budget and state off-budget funds	1 448 144	-	-	-	1 448 144
debt to shareholders	112 675	-	-	-	112 675
advance payments received	2 939 611	45 341	69 613	-	3 054 565
credits	3 292 075	789 933	-	-	4 082 008
other creditors	96 637	12	220	36 190	133 059
<b>Share, %</b>	<b>87,93</b>	<b>7,21</b>	<b>4,56</b>	<b>0,30</b>	<b>100</b>
Overdue					51 062

### Accounts payable turnover trend

Index	2002	2003	2004	2005	2006
Cost of sales, thousand rubles (F No. 2 line 20 + line 30 + line 40)	34 247 140	43 617 963	63 652 554	73 251 909	84 463 963
Average accounts payable, thousand rubles (F No. 1 line 620)	3 497 459	4 836 805	6 631 260	7 673 153	7 883 119
Accounts payable turnover ratio (line 1/line 2)	9,79	9,02	9,60	9,55	10,71
Average period of crediting (days) (360/ line 3)	37	40	38	38	34

### 3. 7. 3 Ratio of accounts receivable and liabilities (for the purpose of working capital analysis)

Description	Balance as of 31.12.2005	Balance as of 31.12.2006
Short-term accounts receivable	15 894 395	23 281 812
Short-term liabilities	7 789 252	12 245 139
Difference (+,-)	+ 8 105 143	+11 036 673
Long-term accounts receivable	86 942	143 217
Long-term liabilities	4 093	36 190
Difference (+,-)	+ 82 849	+107 027
Ratio of accounts receivable and liabilities	2,05	1,91

### 3. 8 CASH AND ITS EQUIVALENTS

Description	01.01.2006		31.12.2006		Difference
	Amount	Share	Amount	Share	
Cash	503	-	944	0,11	441
Settlement accounts	760 274	6,68	362 896	42,25	-397 378
Currency accounts	10 450 160	91,81	429 228	49,97	-10 020 932
L/Cs	168 278	1,48	62 711	7,30	-105 567
Other cash equivalents	3 495	0,03	3 206	0,37	-289
<b>Total</b>	<b>11 382 710</b>	<b>100</b>	<b>858 985</b>	<b>100</b>	<b>-10 523 725</b>

Information on cash flows is disclosed in Cash Flow Statement (Form 4).

Data of Cash Flow Statement characterize changes in financial position of the Company in the context of current, investment and financial activities.

Operations related to income and expenses from common activities stipulated in the Charter are attributed to current activity. Interest-free short-term loan granted in the amount of 3 694 330 thousand rubles is reflected in other transfers under current activity, because it does not generate any income.

Acquisition and sales of property, intangible assets and other non-current assets by the Company, its own construction activity, R&D expenses are attributed to investment activity. Besides, it includes operations with financial investments: acquisition and sales of long-term and short-term securities; contributions to charter capitals of other companies; granting of loans; deposits.

Section «Cash flows in financial activity» reflects bank credits received by the Company in December of the reporting year to support its current activity.

All indices of currency cash flows are recalculated under the exchange rate of the Central Bank as of December 31, 2006.

Index « Influence of fluctuations in foreign currency exchange rate to the Russian ruble» is a balance of other income and expenses in terms of exchange differences generated in the respective period on subaccounts of foreign currency cash accounting.

### 3. 9 EQUITY

Description	31.12.2005	31.12.2006
Authorized capital	5 993 227	5 993 227
Capital reserves	299 661	299 661
Paid-in capital, total	4 358 869	4 338 950
including: revaluation of fixed assets	3 587 092	3 567 173
profit allocated to financing of objects put into operation	563 138	563 138
other sources	208 639	208 639
Retained profit, total	119 095 970	148 647 734
including: previous years	89 859 406	107 109 516
reporting year	29 236 564	41 538 218
<b>Total</b>	<b>129 747 727</b>	<b>159 279 572</b>

Authorized capital and capital reserves conform to the Company Charter.

Ratios	Formula	2002	2003	2004	2005	2006
Equity turnover period (year)	<u>F№1 av. line.490</u> F№2 line 190	2,47	2,43	1,71	3,34	2,86
Equity concentration (financial independence)	<u>F№1 line 490</u> F№1 line 700	0,91	0,91	0,92	0,93	0,92

### Company's Shares

As of 31.12.2006 the authorized capital is paid up in full and is composed of 5 993 227 240 common shares at par value 1 ruble each.

### Equity structure as of 31.12.2006

Beneficiaries	Share, %
Majority shareholder	83,16
Including principal shareholders (holding more than 5% of the authorized capital):	
VEFT ENTERPRISES LIMITED	75,64
LLC Investment and Finance Company "LKB-INVEST"	7,52
Members of the Board of Directors, Management and managers of the Company's subsidiaries	3,85
Public float*	12,99
including:	
Global Depository Shares floated at London Stock Exchange	8,13

\* Publicly floated shares of the Company include shares traded at stock exchanges and shares of unrelated shareholders.

In the reporting year the Company's common shares were quoted at Non-Commercial Partnership RTS Stock Exchange and CJSC MISEX (MMVB); global depository shares (GDS) – at London Stock Exchange.

In July the Company's common shares were entered into the Quotation List «Б» of Moscow Interbank Stock Exchange (MISEX).

### Earnings per share



Basic earnings per share are determined as ratio of basic earnings for the reporting period to the weighted average number a common shares outstanding during the reporting period.

Description	2005	2006
Net profit for the reporting period	35 165 394	50 508 140
Weighted average number of outstanding common shares	5 993 227 240	5 993 227 240
Basic profit per share, rubles	5,87	8,43

### 3. 10 DIVIDENDS

Dividends are paid to the shareholders of the Company out of net profit determined on the basis of the Financial Statements prepared under RF law. Dividends are paid out in cash in declared amount within 90 days from date of the respective decision of the General Shareholders' Meeting.

According to the Dividend policy the General Shareholders' Meeting is eligible to make a decision to pay interim

dividends in case financial performance of the Company permits their payment without any injury to the current activity and implementation of its further development programs.

In the reporting years the following dividends on common stock were declared:

- upon results of 2005 taking into account interim dividends in the amount of 1 ruble per share, additionally 2 rubles per share;
- upon results of 6 months of 2006 - 1,5 rubles per share.

#### Dividends accrued by shareholder category

Shareholders	2004	2005	6 months 2006
Legal entities	10 533 768	17 575 298	8 791 804
Company's employees	113 288	164 715	76 705
Other individuals	140 753	239 668	121 332
<b>Total amount of dividends</b>	<b>10 787 809</b>	<b>17 979 681</b>	<b>8 989 841</b>

As of 31.12.2006 99,75% of dividends for the previous years and 99,67% of dividends for 6 months of 2006.

### 3.11 CREDITS

In December of the reporting year the Company obtained the following bank credits to support its current activity:

Creditor	Credit currency	Interest rate	Maturity	31.12.2006	
				Principal	Interest
CJSC "Gazprombank"	USD	6,90%	March 2007	3 291 387	-*
CJSC "BNP Paribas"	USD	6,35%	April 2007	789 933	687
<b>Total</b>				<b>4 081 320</b>	<b>687</b>

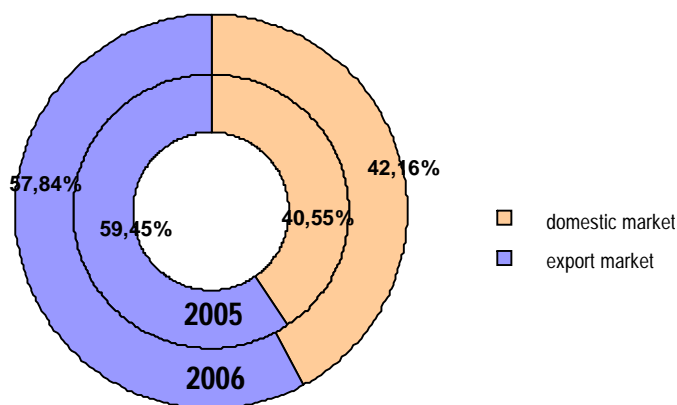
\*Interest accrued in the amount of USD 250 thousand are paid.

### 3. 12 INCOME AND EXPENSES SPLIT BY ORDINARY ACTIVITIES

Description	2005		2006		Difference
	Amount	Share	Amount	Share	
Proceeds from sale of products outside the RF	70 872	59,45	81 150	57,84	10 278 181
Proceeds from sale of products (services) in the RF	590		771		
	47 466 25	39,81	58 596	41,76	11 130 503
	4		757		

Proceeds from sale of goods purchased for resale	598 563	0,50	110 125	0,08	-488 438
Proceeds from sale of housing	283 282	0,24	443 914	0,32	160 632
<b>Total proceeds from sales</b>	<b>119 220 689</b>	<b>100</b>	<b>140 301 567</b>	<b>100</b>	<b>21 080 878</b>

Proceeds structure 2005-2006



### Proceeds, cost of manufacture and profit on sales

Description	2002	2003	2004	2005	2006
Proceeds on sales of products	53 267 435	74 893 880	126 102 009	119 220 689	140 301 567
Operating expenses	34 247 140	43 617 963	63 652 554	73 251 909	84 463 963
Profit on sales	19 020 295	31 275 917	62 449 455	45 968 780	55 837 604

### Efficiency indicators

Description	Formula	2002	2003	2004	2005	2006
Return on sales, %	$\frac{\text{F№2 line 050}}{\text{F№2 line 010}}$	35,71	41,76	49,52	38,56	39,80
Return on principal activity, %	$\frac{\text{F№2 line 050}}{\text{F№2 line 020+ line 030+ line 040}}$	55,54	71,70	98,11	62,75	66,11
Share of expenses on common activity in the proceeds, %	$\frac{\text{F№2 line 020+ line 030+ line 040}}{\text{F№2 line 010}}$	64,29	58,24	50,48	61,44	60,20

### 3. 13 OTHER INCOME AND EXPENSES

Description	2005		2006	
	Income	Expenses	income	Expenses
Income from rent	21 819	9 019	38 979	16 341
Sale of fixed assets	10 280	5 118	13 873	9 313
Disposal of fixed assets	88 432	207 452	86 970	45 056
Fixed asset transfer free of charge	-	12 945	-	85 841
Fixed asset transfer into the authorized capital	-	7	356 290	385
Sale of investments into non-current assets	12	33	39 451	21 778
Sale of foreign currency	45 716 669	45 698 079	81 081 413	80 996 705

Acquisition of foreign currency	-	-	47 266	3 263
Foreign currency exchange	-	491	65 653	5 148
Exchange difference	4 669 719	5 054 334	3 322 502	5 665 994
Inventory sale	152 672	94 276	295 218	127 571
Surplus revealed at stock-taking	25 439	-	8 384	-
Operations with securities	110 615	123 693	20 084 451	3 546 478
Fines & penalties	23 698	17 667	22 582	63 439
Deferred income and loss	28 037	114 594	16 014	357 436
Amortization of overdue debt	1 746	1 912	7 589	4 314
Additional payment to personnel	-	280 805	-	246 321
Expenses for social and cultural facilities	-	40 118	-	53 923
Non-governmental pension coverage	-	77 198	-	74 375
Charity	-	101 376	-	22 723
Property tax	-	399 625	-	438 155
Valuation reserves	-	81 090	-	5 370 031
Others	238 576	409 628	79 580	473 171
<b>Total</b>	<b>51 087</b>	<b>52 729</b>	<b>105 566</b>	<b>97 627</b>
	<b>714</b>	<b>460</b>	<b>215</b>	<b>761</b>

### 3. 14 TAX & TAX BURDEN

Description	2002	2003	2004	2005	2006
<b>Total taxes paid</b>	<b>5 827</b>	<b>9 253</b>	<b>16 608 263</b>	<b>14 206</b>	<b>19 475 250</b>
	<b>186</b>	<b>148</b>		<b>257</b>	
including: income tax	3 903 963	7 037 286	14 487 045	11 937 664	17 058 728
unified social tax	1 044 022	1 132 289	1 268 801	1 183 281	1 476 556
property tax	183 662	283 133	290 084	393 647	418 108
land tax	56 620	363 913	371 114	435 973	296 522
others	638 919	436 527	191 219	255 692	225 336
<b>Proceeds form sale of products (works, services)</b>	<b>53 267</b>	<b>74 893</b>	<b>126 102</b>	<b>119 220</b>	<b>140 301</b>
	<b>435</b>	<b>880</b>	<b>009</b>	<b>689</b>	<b>567</b>
Consolidated tax burden, %	10,94	12,36	13,17	11,92	13,88

#### Structure of taxes paid (%)

Description	2002	2003	2004	2005	2006
Income tax	66,99	76,05	87,23	84,03	87,59
Unified social tax	17,92	12,24	7,64	8,33	7,58
Property tax	3,15	3,06	1,75	2,77	2,15
Land tax	0,98	3,93	2,23	3,07	1,52
Others	10,96	4,72	1,15	1,80	1,16

#### Income tax

In accordance with Accounting rule 18/02 "Accounting of income tax settlements" the Company accounts permanent and temporary differences.

Permanent differences making up fixed tax liabilities are related to the difference of fact or appraisal of profit and loss recognition in the accounting or tax accounting of only one reporting period and does not affect the formation of taxable profit of other reporting periods.

Temporary differences are determined by profit and loss making up accounting profit in one reporting period and taxable profit in another reporting period. Temporary differences form a deferred tax asset and deferred tax liability. Deferred tax asset and deferred tax liability reflect part of income tax by which the tax subject to payment to the budget in the following reporting periods is reduced or increased.

## Income tax calculation in accordance with the requirements of Accounting rule 18/02.

Description	2005	2006
Earnings before tax	46 634 528	67 633 628
Contingent expenses for income tax (according to accounting data)	11 192 287	16 232 071
Fixed tax liabilities	276 847	893 417
Deferred tax assets	(34 289)	18 445
Deferred tax liabilities	(361 872)	(438 168)
Current income tax (according to tax accounting)	11 072 973	16 705 765

According to the tax accounting data taxable profit was 45 776 651 thousand rubles and 69 802 551 thousand rubles in 2005 and 2006, respectively.

## VAT

Being a conventional exporter, the Company sells major portion of its products at 0% tax rate. Tax amounts paid to suppliers and contractors for buying goods (works, services) exceed the tax amount from the sale of goods in the domestic market. The difference is submitted for reimbursement from the budget. In 2006 VAT reimbursed from the budget was 3 360 493 thousand rubles (2005 – 3 063 076 thousand rubles).

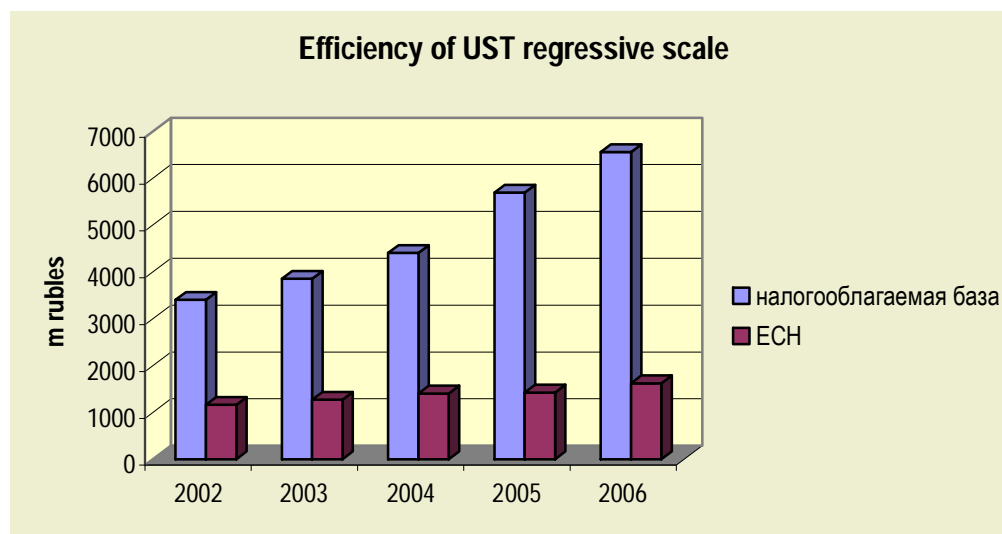
>From 1 January 2006 the Company has been applying the procedure of conversion to tax base determination by "fright out" method provided for by tax legislation. As of the end of the reporting period deferred VAT on unpaid proceeds from sales in the previous reporting periods in the amount of 13 697 thousand rubles (as of 31.12.2005 – 113 674 thousand rubles) is shown in the balance sheet within other long-term liabilities and other short-term creditors.

## Unified Social Tax

The Company computes unified social tax under regressive scale pursuant to Tax Code of the RF.

Since 1.01.05 the rate of unified social tax amounts to 26%, regressive tax rates are applicable in case an employee's tax base exceeds 280 thousand rubles.

Share of the employees whose taxable base corresponded to the regressive scale accounted for 5% in 2005, and 7% in 2006.



Description	2002	2003	2004	2005	2006
Tax rate (%)	35,6	35,6	35,6	26,0	26,0
Current UST rate	34,19	32,97	31,87	25,19	24,80

### 3. 15 INFORMATION ABOUT AFFILIATES

#### 3.15.1 List of affiliates

The list of affiliated persons as of 31.12.2006 includes members of the Board of Directors, members of the Company's Management Board, entities within the same group, as well as entities where the Company holds more than 20% of the total number of votes covered by the shares making up this entity's authorized (shareholders') capital.

#### Entities exercising joint control of the Company

Description	Place of registration	Type of activity
Vladimir Lisin	Lipetsk	
FLETCHER INDUSTRIAL EQUITY FUND LIMITED	Bahamas	Investment activity
VEFT ENTERPRISES LIMITED	Cyprus, Nicosia	Investment activity
LLC "RUMELCO"	Moscow	Marketing and consulting services
LLC Investment & Finance Company "LKB-INVEST"	Moscow	Investment activity
CJSC Investment Company "Libra Capital"	Moscow	Brokerage, dealership, security management, depository activity

#### Legal entities under the Company's control

Description	Share in the authorized capital, %	Place of registration	Activity
<b>Subsidiaries</b>			
LLC Lipetsk Insurance Company "Chance"	100	Lipetsk	Insurance
LLC Stal	100	Uglich	Sales & Purchasing
Boarding House "Novolipetsky Metallurg"	100	Ukraine	Recreation and health services for vacationers
LLC Novolipetskoye	100	Lipetsk Region	Production and sale of agricultural products
LLC Karamyshevskoye	100	Lipetsk Region	Production and processing of agricultural products
LLC Trading House NLMK	100	Moscow	Foreign and domestic trade in ferrous and non-ferrous metals
LLC VIZ-Stal	100	Yekaterinburg	Production and sale of electrical steel
LLC Vtorchermet NLMK	100	Moscow	Storage, processing and sale of ferrous

			and non-ferrous scrap
LLC Independent Transport Company (NTK)	100	Moscow	Cargo transportation and forwarding services
DanSteel A/S	100	Denmark, Frederiksvaerk	Trade and financial activity in ferrous metallurgy and steel-making in Danish and foreign companies and other related activity
Kuzbass Asset Holdings Limited	100	Gibraltar	Trade, commission, foreign exchange and brokerage businesses, investment activity
LLC NLMK International B.V.	100	Netherlands, Amsterdam	Shareholding in other companies and enterprises and management thereof. Administrative, technical financial and other services.
LLC Larmet	99,98	Moscow	Wholesale trade in metal scrap and products.
LLC Vimet	99,97	Lipetsk	Wholesale trade in metallurgical iron ore
OJSC Stoylensky Mining & Processing Plant (GOK)	96,98	Russian Federation	Open mining and concentration of iron ore and other mineral raw materials
OJSC Altai-Koks	93,64	Zarinsk	Production and sale of coke and by-products, generation and sale of heat and electrical energy
OJSC Dolomite	92,74	Lipetsk Region	Mining, processing and sale of metallurgical dolomite
OJSC Studenovskaya Mining Company	88,62	Lipetsk	Mining, processing and sale of fluxing limestone
LLC Vtormetsnab NLMK	70,00	Lipetsk	Storage, processing and sale of ferrous scrap
OJSC Tuapse Sea Trade Port	69,41	Tuapse	Servicing of ships, handling operations
OJSC Severnaya Oil & Gas Company	62,00	Moscow	Search and exploration of oil and gas fields
LLC Lipetsk Municipal Energy Company	51,00	Lipetsk	Generation of steam and hot water, oil and gas storage, heat network operation
OJSC Bank of Social Development & Construction "Lipetskcombank"	50,08*	Lipetsk	Banking services for legal entities and individuals

*Voting shares owned by NLMK make 50.14%.*

Description	Share in the authorized capital, %	Place of registration	Activity
<b>Subsidiaries' subsidiaries</b>			
LLC AvtoKIM-2001	-	Moscow	Organization of passenger transfers, development of automotive assembly and repair facilities
LLC Investment Company LKB-Finance	-	Lipetsk	Leasing, stock market activity
LLC Novolipetsk Insurance Company	-	Lipetsk	Obligatory and voluntary medical insurance
LLC Medical Insurance Company Novolipetskaya	-	Lipetsk	Obligatory medical insurance
LLC Karavella	-	Tuapse	Hotel and catering services
LLC Naphtha (T)	-	Tuapse	Treatment of ship ballast water and industrial storm water
OJSC Tuapsegrazhdanstroy	-	Tuapse	Industrial and non-industrial construction
OJSC Tuapse Shipyard	-	Tuapse	Maintenance and repair of different ships

Description	Share in the authorized capital, %	Place of registration	Activity
LLC TUAPSEVNESHTRANS	-	Tuapse	Transportation and forwarding services
LLC Private Security Company "VV-Zaschita"	-	Sary Oskol	Provision of security
CJSC Altai-Koks-Integratsiya	-	Zarinsk	Coke battery complex construction
CJSC Altaiorgsintez	-	Zarinsk	Production of fertilizers and nitrogen compounds
CJSC Zarinskaya Cogeneration Plant	-	Zarinsk	Generation, transmission and distribution of energy
LLC Group Processing Plant "Koksovaya"	-	Prokopyevsk	Coal processing, production and sale of concentrate and concentration products
LLC Group Processing Plant "Krasnogorskaya"	-	Prokopyevsk	Coal processing, production and sale of concentrate and concentration products
LLC Scientific Production Association "Podzemtransmash"	-	Prokopyevsk	Installation, dismantling, repair, inspection and adjustment of mining equipment and automation
LLC Processing Plant "Prokopyevskugol"	-	Prokopyevsk	Coal processing, production and sale of concentrate and concentration products
LLC Polisam	-	Zarinsk	Production and sale of millwork, cabinet and soft furniture, plastic articles and other consumer goods
LLC Public Catering Establishment	-	Prokopyevsk	Operation of catering enterprises
LLC Prokopgiptrougol	-	Prokopyevsk	R&D
LLC Prokopyevsk Health Company	-	Prokopyevsk	Operation of boarding and recreation houses, hotels
LLC Sibiryachka	-	Prokopyevsk	Supply and sales
LLC Spetsupravleniye	-	Prokopyevsk	Preventive activity and extinguishing of underground fires
LLC Trading House Altai-Koks	-	Zarinsk	Production and sale of consumer goods, coke and by-products, industrial and technical application products
LLC Coal Company "Prokopyevskugol"	-	Prokopyevsk	Consulting, marketing, advertising, commission business, representation services
LLC Staff Preparation Center	-	Prokopyevsk	Staff training and retraining, advanced training, educational activity
LLC Central Processing Plant "Ziminka"	-	Prokopyevsk	Coal processing, production and sale of concentrate and concentration products
LLC Chernogorskaya Avtobaza	-	Prokopyevsk	Truck transportation services
LLC Zenkovskaya Mine	-	Prokopyevsk	Open and underground mining of coal
LLC Ziminka Mine	-	Prokopyevsk	Open and underground mining of coal. Coal field operation management
LLC Voroshilov's Mine	-	Prokopyevsk	Open and underground mining of coal. Coal field operation management
LLC Dzerzhinsky's Mine	-	Prokopyevsk	Добыча каменного угля подземным и открытым способом. Работы, связанные с

Description	Share in the authorized capital, %	Place of registration	Activity
			эксплуатацией угольного месторождения
LLC Koksovaya Mine	-	Prokopyevsk	Open and underground mining of coal. Coal field operation management
LLC Krasnogorskaya Mine	-	Prokopyevsk	Open and underground mining of coal. Coal field operation management
LLC Tyrganskaya Mine	-	Prokopyevsk	Open and underground mining of coal. Coal field operation management
Private Security Company LLC KELT	-	Barnaul	Protection of human life and health
LLC Prokopyevsk Central Coal-Chemical Laboratory	-	Prokopyevsk	Testing of coal and products of its processing for their conformity to the respective standards, issuance of quality certificates
LLC ERNA	-	Prokopyevsk	Installation, dismantling, repair, inspection and adjustment of mining equipment and automation
LLC Municipal Energy Sale Company	-	Lipetsk	Purchase of electrical energy on wholesale and retail markets
LLC Private Security Company VIZ-Stal	-	Yekaterinburg	Protection of human life and health
LLC VIZ-Broker	-	Yekaterinburg	Goods and vehicles declaration
DanSteel Trading Ltd.	-	UK, London	Business activity
LLC Sporting Center	-	Yekaterinburg	Organization and development of sporting in the Urals Federal District

#### Affiliates

Steel Invest & Finance (Luxembourg) S.A.	50,00	Luxemburg	Holding Company
OJSC Lipetsk Giprommez	43,44	Lipetsk	R&D
LLC Neptune	25,00	Lipetsk	Sports and health services

The Company owns directly or via its subsidiaries shareholdings in authorized (share) capitals of the a/m organizations.

Other affiliated persons belonging to the same group as the Company, but not controlled by it.

CJSC Managing Company Libra Capital	STAHL-UND METALLUNTERNEHMENSHOLDI NG. S.A.
CJSC Sporting Complex "Lisya Nora"	AHERON INVESTMENTS LIMITED
LLC RUMEDIA	ANWORTH INVESTMENTS LIMITED
«Kraxis Investments Limited»	HENFORD INVESTMENTS LIMITED
«Lomenton Holdings Limited»	LIMTAN INVESTMENTS LIMITED
«Megamatic Technologies Limited»	MIROGLIOR HOLDINGS LIMITED
LLC MST Port	OMNILAX HOLDINGS LIMITED
ANCASTERO LIMITED	PROSUN CO. LIMITED



CASTELLA INVESTMENTS LIMITED	SOBEVAL MANAGEMENT LIMITED
CHUPIT LIMITED	JYSK STALINDUSTRI APS
IBERNO ENTERPRISES LIMITED	CJSC NMZ
IMMENSO ENTERPRISES LIMITED	LLC L+S Right
SCANTOUS LIMITED	LLC L+S Left
ULTIMEX TRADING LIMITED	LLC L+S Middle
MEROBEL INVESTMENTS LIMITED	LLC Technologies & Industry "Interprom"
RADLEY ENTERPRISES LIMITED	LLC Lot International
PINTAIL INVESTMENTS LTD	CJSC Korpus
SILENER MANAGEMENT LIMITED	CJSC 1 <sup>st</sup> Stevedore Company
OJSC Sea Port St. Petersburg	CJSC 2 <sup>nd</sup> Stevedore Company
LLC Troitskaya Sloboda	CJSC 4 <sup>th</sup> Stevedore Company
OJSC Taganrog Sea Trade Port	CJSC Stevedore Timber Company
CJSC Telecommunications Company ConveyPlus	CJSC Publishing Group "Gazeta"
«La Generale D-Investissment Et De Gestion S.A. (G.I.G.S.A.)»	CJSC Foreign Company "Molodechnensky Tube Works"

### 3. 15. 2 Operations with affiliated persons

#### Sales to affiliated persons

The regulations on the procedure of pricing for metal products and other products of NLMK sold in the territory of the Russian Federation and in the CIS provide for a unified approach to price formation for products, works and services both for affiliated persons of the Company and for other buyers and customers.

#### Sales

Affiliated person	2005 *			2006		
	Company's products	Purchased inventories	Services	Company's products	Purchased inventories	Services
LLC Trading House NLMK	-	-	725	-	-	655
LLC Stal	1 178	-	-	-	-	-
OJSC Stoylensky Mining & Processing Plant (GOK)	994	-	-	25 244	-	959
LLC Independent Transport Company	-	-	304 552	20 787	-	61 059
LLC Novolipetskoye	76	-	329	173	4 285	544
LLC Karamyshevskoye	-	-	195	-	-	62
LLC Larmet	-	-	14	-	-	-
LLC Vimet	-	-	78	-	-	29
OJSC Dolomite	2 775	-	-	2 925	-	-
OJSC Studenovskaya Mining Company	3 387	-	415	7 744	-	591

LLC Lipetsk Municipal Energy Company	704	489	118 662	485	114	136 170
LLC Municipal Energy Sale Company	-	-	-	-	-	10 347
CJSC Lipetsk Giprometz	-	122	26	-	-	115
OJSC Bank of Social Development & Construction "Lipetskcombank"	-	-	3 688	-	-	11 833
LLC RUMELCO	-	-	234	-	-	827
CJSC Investment Company Libra Capital	-	-	-	-	-	122
LLC Lipetsk Insurance Company "Chance"	-	-	21	-	-	10 331
LLC VIZ-Stal	-	-	-	979 258	1 245	-
OJSC Altai-Koks	-	-	-	-	-	21
LLC Vtormetsnab NLMK	-	-	-	1	-	1 702
LLC RUMEDIA	-	-	-	-	-	47
DanSteel A/S	-	-	-	5 303 707	-	-
<b>Total</b>	<b>9 114</b>	<b>611</b>	<b>428 939</b>	<b>6 340 324</b>	<b>5 644</b>	<b>235 414</b>
<b>Total, affiliated persons</b>	<b>438 664</b>		<b>6 581 382</b>			

\* Here and hereinafter the information is in accordance with the list of affiliated persons as of 31.12.2006

## Purchases from affiliated persons

The prices for inventories and services purchased from affiliated persons are determined based on market prices.

The cost of engineering works by OJSC Lipetsk Giprometz is determined based on the existing reference-books and compilations of basic prices for constructional engineering using price index recommended by the RF Ministry of Regional Development.

Prices (tariffs) for energy services with LLC Lipetsk Municipal Energy Company and Municipal Energy Sale Company are approved by the Regional Energy Commission of the Lipetsk Region in accordance with the RF Government Decree "On pricing for electrical and heat energy in the RF" No. 109 dd. 26.02.2004.

## Purchases

Affiliated person	2005		2006	
	Inventories	Services	Inventories	Services
LLC Larmet	1 470	-	-	-
LLC Trading House NLMK	32 372 571	47 839	41 299 519	87 845
LLC Stal	9 533	-	-	-
OJSC Stoylensky Mining & Processing Plant	13	-	2 888	-
LLC Independent Transport Company (NTK)	107 601	132 891	1 621	473 626
LLC Novolipetskoye	22	-	44	-
LLC Karamyshevskoye	8 735	-	11 651	-
Boarding House "Novolipetsky Metallurg"	-	928	-	-
LLC Vimet	625	-	-	-
OJSC Dolomite	151 759	-	195 417	-
OJSC Studenovskaya Mining Company	319 930	-	511 420	207
LLC Lipetsk Municipal Energy Company	-	27 289	10	19 866
LLC Municipal Energy Sale Company	-	-	-	12 980
CJSC Lipetsk Giprometz	-	128 842	-	246 756
OJSC Bank of Social Development and Construction "Lipetskcombank"	-	12 691	-	40 750
LLC AvtoKIM-2001	-	588	466	630
LLC RUMELCO	-	17 332	13 283	729

CJSC Investment Company Libra Capital	-	-	-	10 687
LLC VIZ-Stal	-	-	1 301	-
OJSC Altai-Koks	-	-	2 675 878	-
LLC Coal Company Prokopyevskugol	-	-	1 283 555	19
<b>Total</b>	<b>32 972 259</b>	<b>368 400</b>	<b>45 997 053</b>	<b>894 095</b>
<b>Total, affiliated persons</b>	<b>33 340 659</b>		<b>46 891 148</b>	

The share of the Company's purchases from affiliated persons was 41,65% and 48,86% in 2005 and 2006, respectively.

## Leasing

The Company lets its property on lease:

Lessee	Income from leasing	
	2005	2006
LLC Trading House NLMK	130	125
LLC Vimet	86	108
OJSC Bank of Social Development & Construction "Lipetskcombank"	14	5
LLC Neptune	2 607	3 704
LLC Avto-KIM-2001	163	-
LLC Vtormetsnab NLMK	-	15 407
<b>Total</b>	<b>3 000</b>	<b>19 349</b>

The Company rents property from OJSC Lipetsk Giprommez. The rent was 5 403 thousand rubles and 6 343 thousand rubles in 2005 and 2006, respectively.

## Financial operations

In 2006 the Company purchased 100% shareholding in DanSteel A/S from JYSK STALINDUSTRI APS for the amount of 2 993 380 thousand rubles.

In 2006 OJSC Bank of Social Development & Construction "Lipetskcombank" paid off the loan granted by the Company in 2001 for a period of 5 years. The principal amount was USD 1 000 000. The loan was granted under 8% per year. The income received by the Company from the moment of the contract coming into force was 11 797 thousand rubles, including 1 352 thousand rubles in 2006.

In 2006 the Company transferred some of its assets as an additional investment into the authorized capital of LLC Independent Transport Company (NTK) for the amount of 1 299 729 thousand rubles. The cost of market value evaluation of the property transferred was 266 thousand rubles.

In 2006 the Company provided a short-term interest-free loan to LLC Coal Company "Prokopyevskugol" in the amount of 3 694 330 thousand rubles. As of 31.12.2006 a bad debt provision in the amount of 2 872 397 thousand rubles has been set up for this loan.

The Company granted interest-free loans to the members of the Management Board in the amount of 14 300 thousand rubles and 10 500 thousand rubles in 2005 and 2006, respectively. The total outstanding amount under these loans was 6 958 thousand rubles and 12 300 thousand rubles as of 31.12.2005 and 31.12.2006, respectively.

## Guarantee of liabilities

In the reporting year the Company guaranteed liabilities of the following affiliated persons.

Guarantees granted	31 December	
	2005	2006
LLC Vtormetsnab NLMK	-	7 067
OJSC Altai-Koks	-	1 417 846
LLC Vtorchermet NLMK	-	52 077
<b>Total</b>	-	<b>1 476 990</b>

The amount of guarantees granted to counteragents by OJSC Lipetskcombank for the Company's liabilities was 255 535 thousand rubles and 736 235 thousand rubles as of 31.12.2005 and 31.12.2006, respectively.

## Other operations with affiliated persons

In March 2006 the Company bought out interest-free notes of CJSC Altai-Koks-Integratsiya for the amount of 1 249 992 thousand rubles.

Each year the company concludes contracts with LLC Lipetsk Insurance Company Chance for group voluntary medical insurance, insurance of civil responsibility, land means of transport, property, air vessels, cargos, as well as the Company's employees serving in the Military Forces of the Russian Federation.

Type of insurance	Insurance premium		Insurance compensation	
	2005	2006	2005	2006
Voluntary medical insurance	57 831	54 018	48 651	35 320
Voluntary insurance of civil responsibility	14	103	-	-
Obligatory insurance of civil responsibility	4 658	5 913	351	42
Voluntary insurance of land means of transport	2 322	10 070	1 000	851
Voluntary insurance of property	121 021	134 004	-	-
Voluntary insurance of air vessels	357	390	-	-
Insurance for the employees recruited to the Military Forces of the Russian Federation	25	22	-	-
Cargo insurance	-	24	-	-
<b>Total</b>	<b>186 228</b>	<b>204 544</b>	<b>50 002</b>	<b>36 213</b>

## 3. 15. 3 Operations with affiliated persons in progress

Affiliated person	Accounts receivable		Accounts payable	
	31.12.200		31.12.200	
	5	6	5	6
LLC Vimet	10	-	1	-
LLC Larmet	-	-	3 529	-
LLC Trading House NLMK	239 122	463 706	875 068	1 205 268
OJSC Stoylensky Mining & Processing Plant	11	-	9	313
LLC Lipetsk Insurance Company "Chance"	2 940	2 606	6	-
LLC Novolipetskoye	34 292	27 034	933	586
LLC Karamyshevskoye	46	-	6	309
LLC Stal	-	8	12 592	1 088
OJSC Dolomite	-	141	8	-
CJSC Lipetsk Giprommez	517	171	9 691	15 074

OJSC Studenovskaya Mining Company	148	1 636	60	90
OJSC Bank of Social Development & Construction "Lipetskcombank"	45 587	48 963	91	14
Boarding House "Novolipetsky Metallurg"	-	-	86	50
LLC Independent Transport Company (NTK)	213 708	617 681	13 654	57 861
LLC Lipetsk Municipal Energy Company	10 291	12 621	1 350	626
LLC Neptune	14	-	2	-
LLC RUMELCO	1 978	58	-	-
LLC Novolipetsk Insurance Company	11 572	13 115	-	-
LLC AvtoKIM-2001	-	-	55	72
DanSteel A/S	-	1 654 485	-	-
CJSC Sporting Complex "Lisya Nora"	-	3 816	-	-
LLC Vtormetsnab NLMK	-	4 550	-	-
CJSC Investment Company Libra Capital	-	12	-	17
LLC Municipal Energy Sale Company	-	1 642	-	85
LLC VIZ-Stal	-	410 782	-	133
OJSC Altai-Koks	-	1 037	-	6 566
LLC Coal Company Prokopyevskugol	-	848 978	-	18
LLC RUMEDIA	-	10	-	-
CJSC "Altai-Koks-Integratsiya"	-	1 249 992	-	-
<b>Total, affiliated persons</b>	<b>560 236</b>	<b>5 363 044</b>	<b>917 141</b>	<b>1 288 170</b>
<b>Total, the Company</b>	<b>19 927</b>	<b>26 502</b>	<b>7 793 345</b>	<b>12 281</b>
	<b>958</b>	<b>449</b>		<b>329</b>

Affiliated persons' obligations to the Company and the Company's obligations to the affiliated persons made 2,81% and 11,77% in 2005 against 20,24% and 10,49% in 2006.

### 3. 15. 4 Remuneration to the members of the Board of Directors and Management Board of the Company

Conditions and procedure for payment of remuneration and reimbursement of expenses, related to the execution of the Board of Directors member's functions, is provided for by the Regulation on remuneration of members of NLMK's Board of Directors approved by the general shareholders meeting.

Remuneration for the members of the Management Board is set by the contracts concluded with the members of the Management Board in accordance with the Regulation on payment to the members of the Company's Management Board, approved by the Company's Board of Directors upon presentation of the Human Resources and Remuneration Committee.

Description	2005	2006
Remuneration to the Board of Directors members	18 610	46 897
<i>including:</i>		
<i>remuneration</i>	11 254	42 834
<i>royalty</i>	6 622	3 620
<i>other payments</i>	734	443
Remuneration to the Management Board members	39 634	34 801

### 3. 16 CONVENTIONAL FACTS OF BUSINESS ACTIVITY AND OTHER POTENTIAL LOSSES

The Management of the Company considers it to be necessary to disclose possible losses from the events recognized as conventional facts:

Description	Possible losses
Anticipated losses from deduction of assets, total	207 106

including: fixed assets not in use	28 410
Matyrskoye water-storage reservoir	35 714
objects of construction in progress	142 982
Investigated facts of shortages and losses from inventory damage	17 828
Legal proceedings in progress	17 277
Customers' claims	<b>36 082</b>
<b>Total</b>	<b>278 293</b>

### 3. 17 EVENTS AFTER THE REPORTING DATE

In February 2007 as a result of field audit in 2003 and 2004 tax authorities determined that the Company is to pay 601 927 thousand rubles to the budget.

In February 2007 sale of shareholdings in regional energy companies to Immenso Enterprises Limited was completed. Total proceeds amounted to 2 069 834 thousand rubles. The book value of the assets disposed of made - 104 415 thousand rubles, including:

- LLC Lipetsk Municipal Energy Company - 505 thousand rubles;
- OJSC Lipetskoblغاز - 17 846 thousand rubles;
- OJSC Lipetskenergo - 3 907 thousand rubles;
- OJSC Lipetsk Energy Sale Company - 859 thousand rubles;
- OJSC Lipetsk Backbone Networks - 9 646 thousand rubles;
- OJSC Territorial Generating Company - 71 652 thousand rubles.

**President (Chairman of the  
Management Board)**

**A.A.  
Lapshin**

**Chief Accountant**

**A.A.  
Sokolov**

**AUDITOR'S OPINION  
on financial (accounting) statements**

To the shareholders of Open Joint-Stock Company "Novolipetsk Steel":

**Auditor**

Closed joint-stock company "PricewaterhouseCoopers Audit" (CJSC PWC Audit).

State Registration Certificate No. 008.890 was issued by Moscow Registration Chamber on 28.02.92.

Certificate of registration before 1 July 2002 in the Unified State Register of legal entities No. 1027700148431 dd. 22 August 2002 issued by Moscow Interregional Inspectorate of the RF Ministry of Taxes & Duties No.39.

The license for auditing No. E000376 was issued by RF Ministry of Finance on May 20, 2002. The license is valid till May 20, 2007.

**Auditee**

Open Joint Stock Company "Novolipetsk Steel"

2, pl. Metallurgov, Lipetsk 398040, Russian Federation

Joint Stock Company State Registration Certificate No. 5-Г was issued by Lipetsk Levoberezhny District Administration on January 28, 1993.

The certificate of registration in the Unified State Register of Legal Persons before 1 July 2002 No. 1024800823123 was issued on 9 July 2002 by Lipetsk Central District Inspectorate of the RF Taxation Ministry.

**AUDITOR'S OPINION  
on financial (accounting) statements of Open Joint-Stock Company "Novolipetsk Steel"**

To the shareholders of Open Joint-Stock Company "Novolipetsk Steel":

1. We have audited the attached financial (accounting) statements of Open Joint Stock Company "Novolipetsk Steel (hereinafter "the Company") for the period from 1 January through 31 December 2006. Financial (accounting) statements of the Company includes

Balance Sheet, Profit & Loss Statement, Equity Change Statement, Cash Flow Statement, Appendices to the Balance Sheet and Explanatory Note (hereinafter all the reports are jointly referred to as "financial (accounting) statements"). Financial (accounting) statements have been prepared by the Company's management based on the RF legislation in terms of financial (accounting) statements. The reports based on the above legislation differ significantly from the reports issued in line with the International Financial Reporting Statements (IFRS).

2. Executive board of the Company is responsible for the preparation and submission of financial statements. Our responsibility is to express our opinion on these financial statements authenticity in all material aspects and on the conformance of accounting procedure to the Russian Law requirements based on our audit.

3. We have conducted our audit in accordance with Federal Law "On auditing"; Federal rules (standards) on auditing; International Auditing standards as well as our internal standards.

The audit was planned and performed so as to obtain reasonable assurance that the financial (accounting) statements do not contain any material distortions. The audit was performed on a sample basis and included study of evidence (based on testing) confirming figures contained in the financial (accounting) statements and disclosure of business information therein, evaluation of observance of accounting principles and rules, consideration of the main estimated figures obtained by the Company's management, as well as evaluation of financial (accounting) statement presentation. We believe that the audit performed provides sufficient grounds for expressing our opinion on reliability of financial statements and conformance of accounting with the RF legislation.

4. In our opinion the financial statements of the Company enclosed to this auditor's opinion reflect fairly in all material aspects the financial position of the Company as of December 31, 2006, and the results of its operations from January 1 to December 31, 2006, inclusive, according to the requirements of the Russian Law on preparation of financial statements.

30 March 2007

Director of the joint-stock company

Mark Okes-Voysey

Auditor

V.Y. Sokolov

Qualification certificate No. K 013014

in general auditing,

for an unlimited period



**APPENDIX to item 7.2. "Quarterly financial statements of the issuer for the last complete reporting quarter"**

## BALANCE SHEET

as of **31 March 2007**  
 Organization: **OJSC "Novolipetsk Steel"**  
 Taxpayer's identification number  
 Activity: **production of cold-rolled flats with and without protective coating**  
 Organizational-legal form / property form: **Open joint stock company / Joint federal and foreign property**  
 Unit: **thousand rubles.**  
 Address: **2, pl. Metallurgov, Lipetsk**

Form No. 1 under OKUD  
 Date (year, month, date)  
 under OKPO  
 TIN (INN)  
 under OKVED  
 under OKOPF/OKFS  
 under OKEI

Codes		
0710001		
2007	03	31
5757665		
4823006703		
27,17		
47/31		
0384		

ASSETS	Line code	As of the reporting period beginning	As of the reporting period end
1	2	3	4
<b>I. NON-CURRENT ASSETS</b>			
Intangible assets	110	3 555	3 436
Fixed assets	120	24 224 909	24 081 097
Construction in progress	130	14 949 535	16 462 080
Long-term financial investments	140	83 510 523	83 133 078
Deferred tax assets	145	33 723	45 209
Advance payments for non-current assets	149	3 077 420	4 707 703
Other non-current assets	150	1 136 814	1 135 406
<b>TOTAL for section I</b>	190	126 936 479	129 568 009
<b>II. CURRENT ASSETS</b>			
Inventories	210	19 360 451	19 440 713
inclusive:			
raw materials, materials and other similar valuables	211	12 663 869	12 082 839
animals in breeding and feeding	212	1 506	1 483
expenses on work in progress (distribution costs)	213	5 540 674	5 737 478
finished products and goods for reselling	214	584 692	762 447
goods shipped	215	232 732	472 206
deferred expenses	216	310 118	361 142
other inventories and expenses	217	26 860	23 118
VAT for acquired valuables	220	2 279 672	2 194 715
Accounts receivable (payments due for over 12 months from the reporting date)	230	143 217	164 808
including:			
buyers and customers	231	83 401	60 094
Accounts receivable (payments due for over 12 months from the reporting date)	240	23 281 812	23 320 264
including:			

buyers and customers	241	14 088 941	15 903 385
Short-term financial investments	250	331 655	4 244 553
Cash and cash equivalents	260	858 985	362 334
Other current assets	270	17 869	18 288
<b>TOTAL for section II</b>	290	46 273 661	49 745 675
<b>BALANCE (sum of lines 190 + 290)</b>	300	173 210 140	179 313 684

LIABILITIES	Line code	As of the reporting period beginning	As of the reporting period end
1	2	3	4
<b>III. EQUITY AND RESERVES</b>			
Authorized capital	410	5 993 227	5 993 227
Paid-in capital	420	4 338 950	4 299 979
Capital reserves	430	299 661	299 661
including:			
reserve funds established according to the law	431	299 661	299 661
Retained profit (retained loss)	470	148 648 367	158 232 835
including:			
retained profit (retained loss) of previous years	471	148 648 367	148 648 367
Retained profit (retained loss) of the reporting period	472	X	9 584 468
<b>TOTAL for section III</b>	490	159 280 205	168 825 702
<b>IV. LONG-TERM LIABILITIES</b>			
Deferred tax liabilities	515	1 625 673	1 700 749
Other long-term liabilities	520	36 190	54 216
<b>TOTAL for section IV</b>	590	1 661 863	1 754 965
<b>V. SHORT-TERM LIABILITIES</b>			
Loans and credits	610	4 082 008	-
including:			
bank credits to be repaid within 12 months from the reporting date	611	4 082 008	-
Accounts payable	620	8 049 823	8 610 284
including:			
suppliers and contractors	621	3 148 058	3 120 505
debts to organization staff	622	302 187	360 278
arrears to the state off-budget funds	623	170 764	146 198
tax debt	624	1 277 380	1 131 832
other creditors	625	96 869	110 391
advance payments received	627	3 054 565	3 741 080
Debts to participants (founders) for revenues pay-off	630	112 675	99 535
Deferred income	640	23 566	23 198
<b>TOTAL for section V</b>	690	12 268 072	8 733 017
<b>BALANCE (sum of lines 490 + 590 + 690)</b>	700	173 210 140	179 313 684

### STATEMENT OF VALUABLES ON OFF-BALANCE ACCOUNTS

Description	Line code	As of the reporting period beginning	As of the reporting period end
1	2	3	4
Fixed assets leased	910	482 917	482 948
Inventories accepted for safety storage	920	10 005	40 432
Debt of insolvent debtors written-off to loss	940	2 567	2 567
Security of liabilities and payments received	950	2 551 091	3 130 038
Security of liabilities and payments made	960	1 476 990	2 578 061
Depreciation of housing facilities	970	9 856	9 856
Materials accepted for reprocessing	981	756	685
Document sheets of strict reporting	982	14	14
Intangible assets received	990	106 767	106 974

## INCOME STATEMENT

for **Q1 2007**

Organization: **OJSC "Novolipetsk Steel"**

Taxpayer's ID

Activity: **production of cold-rolled flats with and without protective coating**

Organizational-legal form/ property form:

**Open joint-stock company/ Joint federal and foreign property**

Unit: **thousand rubles.**

Form No. 2 under OKUD

Date (year, month, date)

under OKPO

INN

under OKVED

under OKOPF/

OKFS

under OKEI

Codes

0710002

2007	03	31
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5757665

4823006703

27,17

47/31

384

Description		Code	For the reporting period	For the similar period of the previous year
<b>Income and expenses on common activity</b>				
Revenues (net) on sales of goods, products, and services (net of VAT, excises and similar mandatory payments)		010	36 526 665	27 886 491
including sales of ferrous metals		011	35 233 591	27 086 070
Sales cost of goods, products, works and services		020	(22 442 239)	(16 176 136)
including ferrous metals sold		021	(21 667 046)	(15 664 850)
Gross profit		029	14 084 426	11 710 355
Commercial expenses		030	(1 913 300)	(751 860)
Administrative expenses		040	(679 885)	(544 606)
Sales profit (loss)		050	11 491 241	10 413 889
<b>Other income and expenses</b>				
Interest receivable		060	28 941	448 460
Interest payable		070	(35 199)	-
Other income		090	16 242 222	28 950 296
Other expenses		100	(15 023 402)	(19 914 269)
<b>Profit (loss) before tax</b>		<b>140</b>	<b>12 703 803</b>	<b>19 898 376</b>
Deferred tax assets		141	11 486	6 504
Deferred tax liabilities		142	(75 076)	(110 079)
Current profit tax		150	(3 094 715)	(4 740 987)
<b>Net profit (loss) of the reporting period</b>		<b>190</b>	<b>9 545 498</b>	<b>15 053 814</b>
FOR REFERENCE				
Fixed tax liabilities		200	109 392	68 952

## DESCRIPTION OF SOME PROFITS AND LOSSES

Description		For the reporting period		For the similar period of the previous year	
		code	profit	loss	profit
1	2	3	4	5	6
Penalties, fines and forfeits acknowledged or upon which arbitration decision is made about their collection	210	7 837	(15 140)	1 880	(19 902)
Profit (loss) of the previous years	220	51 867	(152 834)	5 255	(46 742)
Payment of damages caused by default or undue fulfillment of liabilities	230	6 594	(500)	16	-
Currency exchange differences	240	236 663	(334 758)	963 366	(2 527 536)

Allocations to evaluation reserves	250	x	(33 008)	x	-
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**APPENDIX to cl. 7.4. "Data on the issuer's accounting policy"**

## **PROVISION**

### **on accounting policy for the purpose of business accounting**

#### I. General

1.1. This Provision sets unified methodological base, organization procedure, form and methods of accounting and financial statement issuance at NLMK (hereinafter "the Company").

1.2. The present Provision has been developed according to the basic normative documents:

- Federal Law No. 129-ФЗ dd. 21.11.96 "Accounting" (revision dd. 30.06.2003);
- RF Ministry of Finance Order No. 34-н dd. 29.07.98 (revision dd. 18.09.2006, modified as of 23.08.2000) "Approval of Provisions on accounting and financial statements in the Russian Federation";
- RF Ministry of Finance Order No. 60н dd. 09.12.98 (revision dd. 30.12.1999) "Approval of Provisions on accounting "Accounting policy of an enterprise" PBU 1/98;
- RF Ministry of Finance Order No. 167 dd. 20.12.94 "Approval of Provision on accounting. Accounting of agreements (contracts) on capital construction" PBU 2/94;
- RF Ministry of Finance Order No. 2н dd. 10.01.2000 "Approval of Provision on accounting "Accounting of assets and liabilities the value of which is denominated in foreign currency" PBU 3/2000;
- RF Ministry of Finance Order No. 43н dd. 06.07.99 (revised dd. 18.09.2006) "Approval of Provision on accounting "Financial Statements of an enterprise" PBU 4/99;
- RF Ministry of Finance Order No. 44н dd. 09.06.2001 "Approval of Provision on accounting "Inventory accounting" PBU 5/01;
- RF Ministry of Finance Order No. 26н dd. 30.03.2001 (revised dd. 18.09.2006) "Approval of Provision on accounting "Accounting of fixed assets" PBU 6/01;
- RF Ministry of Finance Order No. 56н dd. 25.11.1998 "Approval of Provision on accounting "Events after balance date" PBU 7/98;
- RF Ministry of Finance Order No. 96н dd. 28.11.2001 (revised dd. 18.09.2006) "Approval of Provision on accounting" Conditional facts of financial and economic activity" PBU 8/01;
- RF Ministry of Finance Order No. 32н dd. 06.05.1999 (revised dd. 18.09.2006) "Approval of Provision on accounting "Income of an enterprise" PBU 9/99.
- RF Ministry of Finance Order No. 33н dd. 06.05.1999 (revised dd. 18.09.2006) "Approval of Provision on accounting "Expenses of an enterprise" PBU 10/99;
- RF Ministry of Finance Order No. 5н dd. 13.01.2000 (revision dd. 30.03.2001) "Approval of Provision on accounting "Information on affiliated companies" PBU 11/2000;
- RF Ministry of Finance Order No. 11н dd. 27.01.2000 (revision dd. 30.03.2001) "Approval of Provision on accounting "Information on segments" PBU 12/2000;
- RF Ministry of Finance Order No. 92н dd. 16.10.2000 (revised dd. 18.09.2006) "Approval of Provision on accounting "Accounting of national assistance" PBU 13/2000;
- RF Ministry of Finance Order No. 91н dd. 16.10.2000 (revised dd. 18.09.2006) "Approval of Provision on accounting "Accounting of intangible assets" PBU 14/2000;
- RF Ministry of Finance Order No. 60н dd. 02.08.2001 (revised dd. 18.09.2006) "Approval of Provision on accounting "Accounting of loans and credits and expenses on their servicing" PBU 15/2001.
- RF Ministry of Finance Order No. 66н dd. 02.07.2002 (revised dd. 18.09.2006) "Approval of Provision on accounting" Information on discontinued activity" PBU 16/2002
- RF Ministry of Finance Order No. 115н dd. 19.11.2002 (revised dd. 18.09.2006) "Approval of Provision on accounting "Accounting of R&D expenses" PBU 17/2002;
- RF Ministry of Finance Order No. 114н dd. 19.11.2002 "Approval of Provision on accounting "Accounting of settlements on profit tax" PBU 18/2002;
- RF Ministry of Finance Order No. 126н dd. 10.12.2002 (revised dd. 18.09.2006) "Approval of Provision on accounting "Accounting of financial investments" PBU 19/2002;

- RF Ministry of Finance Order No. 105H dd. 24.11.2003 (revised dd. 18.09.2006) "Approval of Provision on accounting "Information on interest joint ventures "" PBU 20/2003;
- RF Ministry of Finance Order No. 119H dd. 28.12.2001 (revised dd. 23.04.2002) "Approval of Methodical instructions on accounting of inventories";
- RF Ministry of Finance Order No. 91H dd. 13.10.2003 "Approval of Methodical instructions on accounting of fixed assets";
- RF Ministry of Finance Order No. 67H dd. 22.07.2003 (revised dd. 18.09.2006) "Forms of Financial Statements of an enterprise";
- RF Ministry of Finance Order No. 94H dd. 31.10.2000 (revised dd. 18.09.2006) "Approval of Chart of accounts for financial and economic activity and instructions to it";
- RF Ministry of Finance Order No. 49 dd. 13.06.1995 (revised dd.23.01.2001) "Approval of methodical directives on inventory-taking of real estate, property and financial liabilities";
- RF Ministry of Finance Order No. 44H dd. 20.05.2003 "Approval of methodical directives on generation of financial statements during reorganization of an enterprise";
- RF Ministry of Finance Letter No. 160 dd. 30.12.1993 "Provision on accounting of long-term investments";
- Methodical instructions on planning, accounting and calculation of production costs at steel-making companies approved by RF Committee on steel industry on 08.10.2004.
- Other normative documents.

## **II. Organizational & technical provisions**

### **2.1. Organization of accounting**

2.1.1. President (Chairman of the Management Board) of the Company bears responsibility for the organization of accounting and observance of legislation in the course of business activity.

2.1.2. Chief accountant of the Company bears responsibility for the formation of accounting policy, book-keeping and timely submission of complete and valid accounting.

2.1.3. The Company's accounting is maintained by its own accounting service – Accounting Division, which is a structural subdivision of the Company and is headed by the Chief Accountant. Composition, subordination, targets and functions of Accounting Division are determined by the Regulation on Accounting Division and job descriptions of its employees.

2.1.4. The Company has the following structural subdivisions with individual financial statements:

- 2.1.4.1. NLMK's Representative Office in Moscow;
- 2.1.4.2. Medical & Social Division;
- 2.1.4.3. Far-East Branch NLMK-DV in Vladivostok;
- 2.1.4.3.1. Subsidiary of the Far-East Branch NLMK-DV in Ussuriysk;
- 2.1.4.4. NLMK's Representative Office in Novokuznetsk;
- 2.1.4.5. Canteen Department;
- 2.1.4.6. Hotel Complex (Metallurg and Lesnoy Dom hotels).

2.1.5. Responsibility for the organization of accounting in the Company's structural subdivisions with individual financial statements, observance of legislation in the course of business, submission of complete and valid accounting statements is borne by the head of the respective subdivision.

2.1.6. Accounting in the branch, representative offices and Medical & Social Division is maintained by the authorized employees of these subdivisions. The Company's Accounting Division maintains accounting of Canteen Department and Hotel Complex.

2.1.7. The Company considering the necessity of cash settlements by the subdivisions, has arranged the following cash desks:

- 2.1.7.1. Central cash desk of the company;
- 2.1.7.2. Cash desk of Canteen Department;
- 2.1.7.3. Cash desk in Medical & Social Division;

- 2.1.7.4. Cash desk in the Far East Branch NLMK-DV in Vladivostok;
- 2.1.7.5. Cash desk in shop No.109 «Steel service centre»;
- 2.1.7.6. Cash desk at NLMK's Representative Office in Moscow;
- 2.1.7.7. Cash desk at NLMK's Representative Office in Novokuznetsk;
- 2.1.7.8. Cash desk of service centre in Ussuriysk.

2.1.8. Evaluation of property, liabilities and business operations is performed in monetary terms, in the RF currency. Property (excluding fixed assets), liabilities and business operations are accounted in rubles and kopecks, without rounding.

## **2.2. Documentation of business operations**

2.2.1. All the business operations of the Company have supporting documentation. These documents are primary records making the basis for accounting.

2.2.2. Requirements of the Company's Chief Accountant on documentation of business operations and submission of documents and information to the Accounting Division are to be met by all the employees of the Company.

2.2.3. Officers of the Accounting Division are not entitled to accept primary records for accounting in case of their undue issuance.

2.2.4. Primary records are made at the moment of business operation, and should it be not possible – immediately upon completion of the operation.

2.2.5. The Company uses primary records compiled:

- according to the forms contained in the catalogue of unified forms of primary records approved by the RF State Statistics Committee;
- according to non-unified forms developed by the Company in accordance with statutory requirements to accounting.

2.2.6. List and samples of primary record forms used by the Company, for which there exist no unified forms, are to be approved by the respective order.

2.2.7. The documents supporting business operations are to be signed by the authorized officials of the Company.

2.2.8. The list of officials entitled to sign primary records of the Company is approved by the respective order.

2.2.9. The officials who issued and signed these documents are responsible for timely and proper arrangement of primary records, their submission in due time for accounting and validity of the data contained in them.

2.2.10. Primary record issuance, procedure and periods of their submission for accounting are governed by document circulation schedule approved by an order.

2.2.11. The date of submitting the last primary records for the reporting year to the Accounting Division is set by an order.

2.2.12. Should there be any disagreement between the President (Chairman of the Management Board) (head of a subdivision with individual financial statements) and the Company's Chief Accountant (official responsible for the subdivision's accounting) on any individual business operations, the respective primary records are accepted only from the written permission of the President (Chairman of the Management Board) (head of subdivision with individual financial statements), who bears full responsibility for the consequences of such operations and their inclusion into accounting.

2.2.13. The Company's Chief Accountant reports to the President (Chairman of the Management Board) on all the cases of untimely presentation of primary records for accounting, as well as non-disclosure thereof in the respective reporting period, and in some cases he undertakes an internal investigation to punish those responsible for this violation. At the same time it is established that the most severe punishment is due to those who are responsible for forced accounting of primary records for the reporting year in the next year.

## **2.3. Form of accounting. Accounting information processing technology**



2.3.1. The Company uses automatic form of accounting.

2.3.2. Accounting is carried out by the automatic system "Accounting & Finance CE-2" by means of collecting data on business operations, processing and storage thereof, necessary calculations and generation of different accounting forms, as well as other systems used in subdivisions accounted on individual balance sheets.

2.3.3. For some kinds of business operations combination of manual and automatic ways of primary record generation and processing is allowed.

2.3.4. The main database of automatic system "Accounting and Finance CE-2" is a Record Book of Business Operations, whereas generated analytical registers are the General Ledger, turnover balance list and balance sheet.

2.3.5. When issuing primary accounting records on individual business operations only figures are specified. The amount is determined by the program and is shown in the Record Book of Business Operations and output report forms.

2.3.6. Automatic system provides for the preparation of both internal management reporting and accounting in accordance with the statutory requirements.

2.3.7. Automatic accounting is performed based on the user manual and agreed regulations on data exchange with adjacent information systems.

2.3.8. Responsible specialists of Accounting Division control accounting of business operations, generation of indicators and report forms in the automatic system.

#### **2.4. Working card of accounts**

2.4.1. The Company accounts its property, liabilities and business operations in accounts included into the Company's working card of accounts (Appendix No.1 to this Regulation), developed based on the card of accounts approved by the RF Finance Ministry and aimed at synthetic and analytical accounting in all the subdivisions of the Company, including those with individual financial statements.

2.4.2. Should there be any new business operations or the necessity to detailize its analytic accounting, the Company can make amendments to the working card of accounts subject to the order of the Chief Accountant.

#### **2.5. Inventory-taking procedure**

2.5.1. Inventory-taking is one of the significant control procedures, quality and completeness of which make a substantial impact on evaluation of accounting data validity.

2.5.2. Inventory-taking is aimed to achieve the following targets:

- determination of actual availability of property;
- matching of actually available property with accounting data;
- check of completeness of accounting data.

2.5.3. The procedure and terms of inventory-taking of property and financial liabilities are set by the Company itself, except the cases, when the inventory taking is mandatory.

2.5.4. Inventory-taking is mandatory in case of:

- property letting on lease, buy-out or sale;
- changing of accountable officials;
- revelation of theft, misuse or damage of property;
- natural disasters, fire or other emergencies caused by extreme conditions;
- reorganization or liquidation of the Company or some of its subdivisions;
- other cases provided for by the RF legislation.

2.5.5. The Company makes an inventory with the following intervals:

- fixed asset inventory – once per three years as of 1 November;
- library stock inventory – once per five years as of 1 November;
- intangible asset inventory – annually as of 1 October;
- investments-in-progress inventory – annually as of 1 October;

- housing construction inventory – annually as of 1 October;
- inventory of WIP, semis and deferred expenses (except deferred expenses related to acquisition of financial investments and vacation pay) – annually as of 1 October;
- inventory-taking – annually as of 1 October;
- inventory-taking of precious metals, jewels, and articles made of them – twice per year as of 1 January and 1 July in all the places of their storage and use;
- inventory of capital repair in progress – annually as of 1 January;
- inventory of financial liabilities, settlements, bad debt provisions, financial investments and investment depreciation provision, as well as deferred expenses related to acquisition of financial investments and vacation pay – annually as of 1 November;
- inventory of cash, cash items and accountable forms in cash offices – as of the 1<sup>st</sup> date of each month.

2.5.6. Acceptance of property revealed as surplus in the course of sample and annual inventory-taking for accounting is made in the valuation determined by an independent appraiser.

2.5.7. The results of inventory-taking are shown in accounts in the month, when the inventory-taking was completed, and should the inventory be taken before the compilation of annual accounting statements – in the annual report.

## **2.6. Accounting**

2.6.1. The Company prepares and presents its annual financial statements in line with the procedure set forward by the RF legislation, constituent documents and decisions of the Board of Directors.

2.6.2. The Company's accounting includes the results of activity of subsidiaries, representative offices and other subdivisions with individual financial statements. Individual financial statements mean a system of indicators generated by the subdivision and reflecting its property and financial status as of the reporting date for the purposes of the Company management, including accounting. At the same time subdivisions with individual financial statements prepare their reports based on the procedure established for the Company.

2.6.3. The Company (subdivision with individual financial statements) compiled its accounting for a month, quarter (intermediate reporting) and year with progressive total from the beginning of the reporting year. Monthly accounting is an internal accounting and is meant for operational control of the Company's activity.

2.6.4. The Company's annual accounting is composed of:

- balance sheet (form No.1);
- profit & loss statement (form No.2);
- statement of changes in equity (form No. 3);
- cash flow statement (form No. 4);
- enclosure to the balance sheet (form No. 5);
- explanatory note;
- auditor's opinion, confirming the validity of the Company's accounting.

2.6.5. The Company's monthly and intermediate accounting is composed of:

- balance sheet (form No.1);
- profit & loss statement (form No.2).

2.6.6. The Company (subdivision with individual accounting statements) uses accounting forms developed in-house taking into account recommended form samples contained in the appendix to the Order of the RF Finance Ministry No. 67H dd. 22 July 2003 "Accounting forms".

2.6.7. The accounting unit of measurement is thousand rubles without any decimal digits.

2.6.8. For the purposes of reflection in the balance sheet and profit & loss statement of the Company the amount, the relation of which to the total of the respective data for the reporting year is not less than five per cent is considered material.

2.6.9. All the structural subdivisions with individual accounting statements submit their intermediate statements not less than the 15<sup>th</sup> date of the month following the reporting one, and annual statements – within the period set by the respective order.

## **2.7. Business operation management procedure**

2.7.1. For the purpose of efficient functioning of the Company, safety of assets, revelation and prevention of errors and distortion of information, as well as timely preparation of valid financial (accounting) information, an internal control system is functioning in the Company.

2.7.2. The Company's internal control system is composed of a complex of organizational arrangements, methods and procedures, and includes:

- accounting system;
- control environment;
- individual means of control.

2.7.3. Due to its accounting system the Company can maintain records of its property and liabilities by means of continuous, documentary and interrelated reflection thereof in accounting registers based on primary records, as well as form its financial (accounting) statements.

2.7.4. The general control environment of the Company includes:

- basic management principles;
- corporate police;
- organizational structure;
- distribution of responsibilities and powers;
- HR policy;
- procedure of financial (accounting) statement preparation;
- standardization of procedures, including accounting ones;
- procedure of internal management accounting and preparation of internal accounting for management purposes;
- compliance of the Company's business activity with statutory requirements.

2.7.5. The system of means of control provides for the following:

- business operations approved by the Company's management;
- true reflection of all the operations in accounts in line with the Company's accounting policy;
- access to assets only if authorized by the Company's management;
- proper actions by the Company's management in case the existing assets and liabilities to the accounting data.

2.7.6. The Company implements the following procedures to control and maintain accounting:

- accountability of employees to other employees;
- limited access to assets and accounting records;
- control over applications and computer information systems, including entry of modifications and access rights for entry of information into the system and its elimination therefrom;
- internal audits and reconciliation of data on financial and business activity;
- matching of data obtained from internal sources with those from external sources of information;
- audit of analytical accounts, turnover balance sheets, and arithmetical accuracy of records;
- comparison and analysis of financial results with target figures and other additional procedures.

2.7.7. The Company's control authorities are Audit Commission and Internal Audit Division.

2.7.8. The Audit Commission is elected at the Company's general shareholders' meeting of the Company to control the Company's financial and business activity. The check (audit) of financial and business activity is based on the results of the Company's activity for a year, as well as at any time at the initiative of the Audit Commission, or under the decision of the general meeting, the Board of Directors, or the demand of the Company's shareholders, owning in the aggregate not less than 10 % of the Company's voting shares. The Company's Audit Commission annually issues its opinion, which confirms the validity of data contained in annual financial statements.

2.7.9. Internal Audit Division is a structural subdivision of the Company, which provides independent and impartial guarantees and consultations aimed at improvement of the Company's activity. Internal control functions are implemented via:

- audit operations aimed at evaluation of internal control systems for observance of legislation, asset safety, efficiency and effectiveness of activity of NLMK's subdivisions;
- auditing of the organization and functioning of accounting and internal control systems of preparation of accounting, tax, statistical, management and other financial statements of NLMK.

## **2.8. Commercial secrets**

2.8.1. The requirements to the information safety of the Company and commercial secret

information processing procedure are determined by the respective quality management system standard of the Company.

2.8.2. The list of information which is considered a commercial secret is compiled by the continuously operating expert commission of the Company.

### **III. Methodological provisions**

#### **3.1. Accounting of fixed assets**

3.1.1. Fixed assets for the purposes of accounting include assets meeting the requirements of cl.4 of the Accounting Provision "Accounting of fixed assets" PBU 6/01.

3.1.2. Assets valued at less than 20 000 rubles per unit and meeting fixed asset criteria are accounted in line with the procedure specified in cl. 3.5.10 of this Provision.

3.1.3. Special tools, devices, equipment and special clothing with service life exceeding 12 months and valued at more than 20 000 rubles are accounted under the procedure provided for fixed asset accounting in line with the Accounting Provision "Accounting of fixed assets" PBU 6/01.

3.1.4. Real estate and property taken into operation and actually used and being in process of state registration shall be included into fixed assets and depreciable groups starting from the moment of documented fact of documents filing for registration of the stated rights.

3.1.5. Historical cost of fixed assets is accounted in integral rubles. Differences resulting from rounding of actual costs on acquisition, installation or manufacture of fixed assets to integral rubles shall be accounted as operating income (expenses).

3.1.6. Based on the principal of significance and reasonability traveling expenses above norms set for taxation purposes related to acquisition and manufacture of fixed assets are reflected in other expenses.

3.1.7. Fixed assets are depreciated by charging of depreciation by linear method on the assumptions of their original (replacement) cost and norms of depreciation, calculated on the basis of their useful life.

3.1.8. Useful life of fixed assets is determined by Committees appointed by orders of managers of the Company's subdivisions according to Classification No. 1 approved by Provision of the RF Government dd. 01.01.2002.

3.1.9. For fixed assets acquired in 2001 relevant to group of fixed assets "Agricultural tractors" and "Agricultural Machinery and equipment" depreciation is charged by writing-off of value upon sum of years of useful life.

3.1.10. Charging of depreciation and amortization is suspended in case of preservation of fixed assets for over three months upon the decision of the authorized official of the Company as well as during the period of recovery the duration of which exceeds 12 months.

3.1.11. Income and expenses related to retirement of fixed assets shall be reflected in accounting for the reporting period to which they relate and are accounted as other income and expenses.

3.1.12. There is no annual revaluation of fixed assets.

#### **3.2. Accounting of intangible assets**

3.2.1. Within intangible assets exclusive rights for results of intellectual activity in compliance with Provision on accounting "Accounting of intangible assets" PBU 14/2000 are accounted.

3.2.2. Amortization of intangible assets is charged by linear method of amortization. Amortization is accrued on a monthly basis based on the original cost of intangible assets and amortization rate calculated based on the useful life of this object.

3.2.3. Useful life of intangible fixed assets is calculated either based on the term of patent, certificate or other limitation of intellectual property use according to the Russian Law or based on the expected life of this object during which NLMK could gain profit (income), or on the assumption of product quantity or any other natural indicator of volume of works expected from the use of this object.

3.2.4. Norms of amortization charges for intangible fixed assets upon which it is impossible to

define useful life are established in anticipation of twenty years (but not more than the period of company's activity).

3.2.5. Amortization of intangible assets is reflected in accounts by accumulation of corresponding sums on account 0500 "Amortization of intangible assets" in the reporting period, to which they are related.

### **3.3. Accounting of investments into non-current assets**

3.3.1. Settlements between NLMK (Builder) and Contractor are performed on a monthly basis according to agreement on construction and Certificate on value of works done (Form No. KC-3) prepared on the basis of Report on works done (Form KC-2) after step-by-step (intermediate) acceptance by the Builder of works done. Information on value of works done contained in Forms KC-2 and KC-3 is considered as basis for reflection of expenses related to construction of non-current assets in account 0800 "Investments into non-current assets".

3.3.2. For the purpose of calculating the cost of import equipment all the actual costs are preliminarily collected in account 1500 "Storing and acquisition of tangible property".

3.3.3. R&D expenses, the results of which are to be used in production (works, services), or for the managerial purposes of the company, are accounted in account 0800 "Investments into non-current assets" and written-off in the amount of actual costs to account 0400 "Intangible assets" in the month, when the protocol of R&D results implementation was approved.

3.3.4. The Company's R&D expenses, the results of which are used either for production or managerial purposes of an organization, are accounted separately in account 0400 "Intangible assets" and written off as operational expenses by a linear method within three years starting from the 1<sup>st</sup> date of the month following the month, when their use was actually started.

### **3.4. Accounting of financial investments**

3.4.1. Units of financial investment accounting:

a share – in shares accounting;

a bond – in bond accounting;

a share – in contributions to stockholders' equity;

security series and number – in deposit certificate accounting;

an agreement – in accounting of loans, deposits, assignment and special partnership contracts.

3.4.2. In analytic accounting on state and corporate securities the following information is formed: description of the issuer, security description, number, series, nominal price, purchase price, expenses related to security acquisition, total quantity, date of acquisition, date of sale or other retirement, place of storage.

3.4.3. When the assets are transferred as a contribution into the authorized capital in cash-less form the difference between the monetary evaluation of assets transferred, determined by an independent appraiser or agreed by the parties, and their residual value is shown within other income (expenses).

3.4.4. The costs related to security acquisition making up less than five per cent of the amount paid to the seller under the contract are recognized as other expenses.

3.4.5. Debt securities for which current market value is not determined, are accounted before the retirement at original cost.

3.4.6. Financial investments, for which the current market value is determined under the established procedure, are reflected as of the quarter end at their current market value. If the market price for one and the same security was calculated by two or more trade institutors, the market price of RTS or MISEX take priority, depending on where the trade volume of this security in quantitative terms was bigger.

3.4.7. For debt securities and loans granted evaluation at discounted cost is not made.

3.4.8. Financial investments (shares, bonds), for which their current market value is not determined, are evaluated at the moment of retirement at the average original cost.

3.4.9. Securities (except shares of joint-stock companies and bonds), contributions to the authorized capitals of other organizations, contributions under special partnership agreements, loans

provided to other organizations, deposits with credit institutions, receivables acquired in the basis of assignment of right of demand, are valued at the original cost of each retiring unit of financial investment accounting.

3.4.10. Financial investments, which are not long-term investments at the time of acquisition, will be accounted as short-term ones.

3.4.11. Interest income upon securities (bonds, deposit certificates, notes) is recognized at time of interest payment.

3.4.12. Interest on loans granted and under other similar agreements is charged as of the end of the month.

### **3.5. Accounting of materials**

3.5.1. The accounting unit of materials is stock number.

3.5.2. Valuation of materials purchased is made at the cost stated in the supplier's invoice (invoice cost) with addition (inclusion) of the amount of actual costs related to the purchase of materials generated in the period of their cost formation till the moment of their record under a specific stock number into the cost of materials.

3.5.3. For the purpose of forming the cost of import inventories purchased all the actual costs are preliminarily collected in account 1500 "Storing and acquisition of tangible assets".

3.5.4. A part of actual costs for the purchase of materials incurred after the formation of the materials' cost for a specific stock number, is accounted in account 1600 «Deviation in the cost of tangible assets».

3.5.5. The amounts of deviations accounted in account 1600 «Deviation in the cost of tangible assets» the amounts of deviations specific weight of which does not exceed five per cent of the invoice cost, are written off in full volume on a monthly basis to the debit of accounts, where the material consumption is shown pro rata the cost of purchased materials consumed.

3.5.6. The materials delivered, for which there are no settlement documents used for settlements with the supplier, are registered as non-invoiced supplies at prices based on the contract terms.

3.5.7. The materials belonging to the Company, but either in the process of transportation or pledged to the buyer, are accepted for accounting in the valuation provided for by the contract with subsequent updating of actual cost.

3.5.8. When the materials are released into production and retired otherwise they are valued at average weighted cost, which takes into account the quantity and cost of materials as of the beginning of the reporting month and all the earnings for the reporting month.

3.5.9. When writing off medicine in Medical & Social Division and food stuff in the Canteen Department, Metallurg Hotel and Lesnoy Dom Hotel, they are valued at cost of each unit. At the same time the cost of a unit is determined as the cost of medicine and food stuff at a contract price.

3.5.10. Assets costing RUR 20 000 per unit or less and qualifying as fixed assets, as well as purchased books, brochures and other publications are recognized in accounting books and financial statements as part of inventories under account 1000 "Materials"; as they are released into operation, they are charged as production costs. For analytical accounting purposes, the changes in their balances are recorded off balance sheet.

3.5.11. Waste and by-products used are assessed in line with the prices set by an authorized division of the Company.

3.5.12. Coke fines and coke nut obtained during metallurgical coke screening in blast-furnace shops are assessed in line with the actual cost of coke fines and coke nut produced by the Coke Plant for the previous month.

3.5.13. Components, assembly units, spare parts and other materials, obtained from decommissioning of fixed assets and suitable for further use, are valued and recognized at current market prices for scrap (utility waste, etc.) with a corresponding credit in the "Other income and expenses" account (account 9100)

3.5.14. Expenses for repair of used components, assembly units, spare parts and other materials are included in their value.

3.5.15. Based on the materiality and rationality principle, travel expenses in excess of standard rates, established for accounting purposes, related to purchasing of materials, are charged to other expenses.

3.5.16. Value of containers obtained from suppliers and included into the price of tangible assets, in case of their utilization or sales, are credited in the "Other income and expenses" account (account 9100) at the price of potential utilization or sales.

### **3.6. Accounting of goods**

3.6.1. Goods for retail trade shall be valued at selling (retailing) prices with application of account 42 "Mark up".

3.6.2. Expenses on stocking and delivery of purchased goods to retail warehouses are accounted as part of distribution costs under account 44 "Trade expenses".

3.6.3. Expenses on transportation are distributed between goods sold and goods balance as of the month end and debited under account 9000 "Sales".

3.6.4. The amount of distribution costs incurred by retail warehouses and other sales subdivisions, related to transfer of goods to other subdivisions of the Company (milk and healthful and dietary meals for employees working in hazardous conditions, foodstuffs for delegations, etc.) is determined on the prior month basis and advised with further adjustment of costs for each subdivision.

3.6.5. Electric energy sold in the market one day in advance is determined on the basis of the average value of electric energy, purchased under regulated agreements. Electric energy sold in the balancing market is valued on the basis of average value of electric energy, purchased in the market one day in advance and the balance of electric energy purchased under regulated agreements after the sales in the market one day in advance.

### **3.7. Accounting of income and expenses**

3.7.1. The Company recognizes revenues from sales of products and goods, as well as income related to rendering of services (execution of works), as income from ordinary activities, if the production and sales of products (goods), rendering of services (execution of works), as well as the conditions of gaining the income from these activities directly result from the Company's core business and have a systematic (continuous) nature.

3.7.2. All other types of income are recognized as other income.

3.7.3. The Company recognizes expenses on sales of products and goods, as well as expenses related to rendering of services (execution of works), as expenses on ordinary activities, if the production and sales of products (goods), rendering of services (execution of works) directly result from the Company's core business and have a systematic (continuous) nature.

3.7.4. All other types of expenses are recognized as other expenses.

3.7.5. The Company determines the revenues from sales based on the date of the transfer of title for products, goods, results of works executed, services rendered (for value), unless otherwise provided for by an agreement, on the basis of accounting documents submitted to buyers (customers).

3.7.6. Income and expenses in foreign currency, accounting for financial result from business outside the Russian Federation, are converted into rubles using the exchange rate of the RF Central Bank as of the date of transactions in foreign currency.

### **3.8. Accounting of costs of production and sales of products, works, services**

3.8.1. Account 20 "Core production" is applied to account costs of production, where expenses of core and ancillary operations are recorded.

3.8.2. Account 2003 "Core production (export)" is applied to account costs of production of products subject to the export customs regime.

3.8.3. Account 2004 "Housing construction costs" is applied to account costs of housing construction.

3.8.4. For calculation of costs of products (works, services) the process costing method and job-order costing method are applied.

3.8.5. The following expense items are established for accounting:

- raw materials and main materials;

- purchased items, semi-finished products;
- wastes (including carbon monoxide);
- rejected products;
- additional materials;
- auxiliary materials;
- auxiliary materials for process;
- process fuel;
- energy cost;
- remuneration of labour;
- repair of fixed assets;
- maintenance of fixed assets;
- amortization of fixed assets;
- expenses of intracompany cargo transportation;
- other shop expenses;
- expenses on preparation and development of processes;
- losses due to rejects;
- co-products;
- construction in progress.

3.8.6. Expenses related to transportation of material resources (inclusive of handling) in the territory of the Company by vehicles and personnel of the Company are included into the process expenses of a corresponding subdivision.

3.8.7. Electric energy used in production is accounted at the average purchase price, formed by purchase prices under purchase agreements in the new wholesale electricity market.

3.8.8. The item "Salaries expense" represents the labor costs for the subdivision's industrial personnel, as well as labor costs for the personnel of auxiliary production units (shop maintenance personnel) and shop management personnel.

3.8.9. Salaries expense, which cannot be charged directly, are to be prorated on the basis of direct salaries expense.

3.8.10. Actual expenses related to routine and major repairs are recognized as running period expenses upon their completion.

3.8.11. Indirect expenses of main production shops are distributed according to specific nature of a process (production stage) defined in industry-specific methodical recommendations on planning, accounting and calculation of production costs **3a** steel companies.

3.8.12. General shop expenses are prorated on the basis of salaries charged directly, excluding general shop expenses of the coke division, shop for production of automotive parts, pipes and hardware item, shop for preparation of repairs, protective coatings shop, power & energy division, shop for metallurgical slag processing; these expenses are prorated on the basis of salaries and amortization.

3.8.13. Process (production stage) expenses are prorated by product categories on the basis of output converted to equivalent mass or any other units with account to the labor-output ratio.

3.8.14. Based on the materiality and rationality principle, travel expenses in excess of standard rates, established for accounting purposes, related to production and sales of products, are charged to other expenses.

3.8.15. Expenses on voluntary property and personal insurance are included into the cost of goods manufactured (works, services) for the reporting period, in which the payment was effected under the contract. If insurance fee was paid as a lump sum payment under the insurance contract, and the contract had been concluded for the period exceeding one year, then such for expenses are recognized as deferred expenses and accounted in accordance with Cl. 3.9.2 of this provision.

3.8.16. Consumption of materials for specific products of the GO Flats Shop is included in a separate item "Auxiliary materials". This item also includes hydrogen and nitrogen consumption.

3.8.17. Packing expenses in rolling shops are presented as a separate line in item "Auxiliary materials". Packing expenses are prorated by product types on the basis of the amount of packed steel.

3.8.18. Consumption of corrosion-preventing oil in Cold Flats & Coatings Shop is recognized as a separate item "Auxiliary materials for process" and allocated to specific types of uncoated rolled



products based on the volume of usable metal.

3.8.19. Consumption of lubricants for pickled steel production in Hot Flats Shop is prorated on the basis of yield of a corresponding cost accounting segment.

3.8.20. Iron vitriol and iron oxide obtained from pickling in rolling shops are debited to "Auxiliary materials" item credited with corresponding reduction of expenses.

3.8.21. Items "Maintenance of fixed assets", "Other shop expenses", "Repair of fixed assets" for rolling shops, which cannot be charged directly, are prorated on the basis of wages and salaries attributed to a specific production facility.

3.8.22. Amortization and depreciation of general-purpose fixed assets of rolling shops is prorated on the basis of the replacement value of main production facilities as of reporting period (year) beginning.

3.8.23. In construction, expenses related to maintenance of an object in construction are prorated by construction sites on the basis of estimated cost of works executed at these sites.

3.8.24. Housing construction cost is formed on the basis of actual expenses, including the expenses related to the title registration.

3.8.25. Construction in progress as of the end of reporting period on each production stage shall be evaluated by average value, summed up from construction in progress value as of the reporting period beginning and production costs for the reporting period.

3.8.26. If the job-order cost system is used, construction in progress is evaluated on the basis of actual expenses.

3.8.27. Losses due to rejects in case of absence of production are calculated on the basis of actual products costs for the prior month.

3.8.28. Losses due to rejects revealed in rolling shops due to faults of BOF shops are allocated to BOF shops. Should rejects be revealed on the first production stage, losses due to rejects are calculated on the basis of actual process (production stage) expenses for the previous month. Should rejects be revealed at successive production stages, losses due to rejects are calculated on the basis of actual production costs in the previous month net of rejects value at established prices. Losses due to rejects are calculated separately for each product mix item of rejects. The losses due to rejects in rolling shops exclude the cost of packing.

3.8.29. Semi-finished products of in-house production are accounted on the basis of actual production cost for each kind of products.

3.8.30. Nomenclature number is used as a unit of semi-finished products accounting.

3.8.31. When putting semi-finished products in production they are evaluated on the basis of average cost calculated on the basis of semi-finished products quantity and cost as of the beginning of month and the output in the reporting month.

3.8.32. General running costs are fully recognized in the cost of products (works, services) sold in the reporting period as expenses on ordinary activities.

3.8.33. Expenses related to the sales of products (works, services) are fully recognized in the cost of products (works, services) sold in the reporting period as expenses on ordinary activities. For analytical accounting purposes, the sales expenses related to the domestic market, foreign market and CIS countries are accounted separately.

3.8.34. Expenses related to the sales of apartments are charged to account 4400 "Sales expenses".

3.8.35. The amount of costs related to accommodation of the Company's employees in Metallurg Hotel and Lesnoi Dom Hotel is calculated on the basis of actual costs incurred by respective subdivisions in the prior month and advised with further adjustment.

### **3.9. Accounting of deferred expenses**

3.9.1. Deferred expenses include:

- payments for voluntary and obligatory insurance of property and employees;
- expenses for purchasing of PC software;
- expenses for licenses;
- expenses for certification and accrediting;
- expenses related to making decisions on asset purchasing (formation);

- deferred expenses for payment of vacation allowance;
- expenses for "hot" commissioning;
- expenses of seasonal nature;
- other expenses, corresponding to deferred expenses criteria.

3.9.2. Deferred expenses, irrespective of their type, are charged to relevant accounts on a monthly basis by portions and in the amount determined by the Company's agreements or calculations, during the period, which they refer to.

### **3.10. Accounting of finished products (works, services)**

3.10.1. Finished products are accounted on the basis of actual production cost of each product type. Exported finished products are recognized separately in accounting documents.

3.10.2. Finished products shipped to customers and the Company's subdivisions are accounted on the basis of actual production costs determined for each product type by multiplying the quantity of products shipped by average cost of one ton (piece, etc.). Average cost is calculated by dividing the cost of specific product type by its quantity (residual quantity as of beginning of month and output of products in the reporting month).

3.10.3. Products (works, services), the title for which had not been transferred to buyers by the end of reporting period, are evaluated on the basis of production cost at the time of shipment.

### **3.11. Accounting of loans and credits**

3.11.1. Expenses related to loans and credits obtained by the Company are recognized as the expenses of the period in which they are incurred, in the amount of payments due in accordance with concluded agreements.

3.11.2. Discount on issued notes and placed bonds is included in other expenses without preliminary accounting under account "Deferred expenses".

### **3.12. Accounting of reserves**

3.12.1. The Company forms the following reserves:

- reserve for the decline in value of tangible assets (on a quarterly basis);
- reserve for the decline in value of construction in progress (on a quarterly basis);
- reserve for the decline in value of semifinished products (on a quarterly basis);
- reserve for doubtful debt (on a yearly basis);
- reserve for depreciation of financial investments, the market value of which is not determined (on a yearly basis).

### **3.13. Accounting of income tax calculations**

3.13.1. The Company calculates deferred tax assets, deferred tax liabilities, running tax liabilities, contingent expenses (income) for income tax.

3.13.2. The calculation is carried out on the basis of balance method by comparing the balances on financial and tax accounts.

3.13.3. Deferred tax assets and deferred tax liabilities are recognized in balance sheets as non-current assets and long-term liabilities, respectively.

### **3.14. Accounting of dividends.**

3.14.1. Distribution of dividends is charged to the period in which such distribution was declared.

Chief Accountant

A.A.Sokolov

