

**PRESS-RELEASE****10 July 2006****Novolipetsk Steel (NLMK) releases trading update for Q2 2006**

OJSC Novolipetsk Steel (LSE: NLMK) today released the following regular trading update for Q2 2006.\*

**1. Production**

The table below shows the production volume of NLMK's principal steel products on its main site:

	<b>Q2 2006</b>	<b>Q1 2006</b>	<b>Q2 2005</b>	<b>Change (%)</b>	
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	Q206 /Q205	Q206 /Q106
	<i>(in million of metric tonnes, except for percentages)</i>				
<i>Pig Iron</i>	2.322	2.201	1.919	21.00%	5.48%
<i>Steel</i>	2.3	2.291	1.895	21.37%	0.41%
<i>Slabs</i>	0.977	0.979	0.581	68.16%	-0.15%
<i>Hot-rolled steel</i>	0.355	0.433	0.537	-33.89%	-18.05%
<i>Cold-rolled steel</i>	0.641	0.414	0.535	19.81%	54.87%
<i>Hot dip galvanized steel</i>	0.103	0.092	0.074	39.19%	11.71%
<i>Pre-painted steel</i>	0.08	0.081	0.06	33.33%	-0.99%
<i>Non-grain-oriented steel</i>	0.083	0.088	0.093	-10.75%	-5.14%
<i>Grain-oriented steel</i>	0.034	0.035	0.035	-2.86%	-3.13%

The table below shows the principal product tonnage produced at NLMK's Danish subsidiary, DanSteel A/S:

	<b>Q2 2006</b>	<b>Q1 2006</b>	<b>Q2 2005</b>	<b>Change (%)</b>	
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	Q206 /Q205	Q206 /Q106
	<i>(in million of metric tonnes, except for percentages)</i>				
<i>Heavy plates</i>	0.111	0.113	0.101	9.17%	-1.61%

The table below shows the production volume of NLMK's mining segment:

	Q2 2006	Q1 2006	Q2 2005	Change (%)	
	Amount	Amount	Amount	Q206 /Q205	Q206 /Q106
	(in million of metric tonnes, except for percentages)				
<b>Iron ore</b>					
Iron ore concentrate	3.283	2.876	2.717	20.83%	14.15%
Sinter ore	0.286	0.262	0.289	-1.04%	9.16%
<b>Coal</b>					
Coking coal	0.610	0.600	0.620	-1.61%	1.64%
Energy coal	0.139	0.117	0.205	-32.20%	18.80%
<b>Other raw materials</b>	0.201	0.245	0.260	-22.53%	-18.01%

The table below shows the principal product tonnage produced at Altai-koks:

	Q2 2006	Q1 2006	Q2 2005	Change (%)	
	Amount	Amount	Amount	Q206 /Q205	Q206 /Q106
	(in million of metric tonnes, except for percentages)				
Coke	0.644	0.593	0.717	-10.18%	8.67

\* All information on production volumes is preliminary and may be subject to change.

## 2. Prices

The table below shows the average price realized for each of NLMK's main steel products\*\*:

	USD per tonne (FCA)			Change (%)	
	Q2 2006	Q1 2006	Q2 2005	Q206 /Q205	Q206 /Q106
Pig Iron	213	181	273	-22.05%	17.64%
Slabs	331	255	416	-20.44%	29.82%
Hot-rolled steel	510	426	503	1.31%	19.61%
Cold-rolled steel	612	509	599	2.08%	20.24%
Hot dip galvanized steel	794	745	823	-3.50%	6.59%
Pre-painted steel	933	883	930	0.34%	5.67%
Non-grain-oriented steel	686	601	779	-11.92%	14.03%
Grain-oriented steel	2652	2909	2591	2.33%	-8.83%

The table below shows the DanSteel A/S average heavy plate prices\*\*:

	USD per tonne (FCA)			Change (%)	
	Q2 2006	Q1 2006	Q2 2005		
				Q206 /Q205	Q206 /Q106
<i>Heavy plates</i>	681	647	879	-22.53%	5.26%

The table below shows the average price realized for each of NLMK's main mining segment products\*\*:

	USD per tonne (FCA)			Change (%)	
	Q2 2006	Q1 2006	Q2 2005		
				Q206 /Q205	Q206 /Q106
<b>Iron ore</b>					
<i>Iron ore concentrate</i>	36.7	32.9	56.1	-34.59%	11.33%
<i>Sinter ore</i>	20.3	18.7	21.4	-5.25%	8.33%
<b>Coal</b>					
<i>Coking coal</i>	52.6	50.8	54.3	-3.11%	3.44%
<i>Energy coal</i>	11.6	7.8	16.6	-30.33%	48.03%

The table below shows the Altai-koks average coke prices\*\*:

	USD per tonne (FCA)			Change (%)	
	Q2 2006	Q1 2006	Q2 2005		
				Q206 /Q205	Q206 /Q106
<i>Coke</i>	114.4	115.9	143.6	-20.34%	-1.29%

\*\* *excluding freight charge*

### 3. Management Boards' comments

The substantial increase in steel production during Q2 2006 compared with Q2 2005 resulted from the restoring production level after scheduled midyear maintenance at the major blast furnace and steelmaking facilities last year. In Q4 2005, we put into operation new hot dip galvanizing facilities with installed annual capacity of 340 thousand tonnes.

The change in the company's product portfolio in comparison with Q2 2005 resulted in greater volumes of high value-added products, including 39% increase in hot dip galvanized steel and 33% increase in pre-painted steel on q-o-q basis.

The slight decrease in electrical steel production is primarily attributable to scheduled maintenance of these facilities during Q2 2006. At the same time, the reduction of hot-rolled steel production volumes is explained by growing internal consumption of hot-rolled coils by NLMK's grain-oriented steel facilities, as well as by an overall increase in cold-rolled steel production.

As for NLMK's mining segment, iron ore concentrate production in Q2 2006 went up compared to Q1 2006 and Q2 2005. This increase resulted from the consolidation of KMA Ruda in March 2006. The growing output at Stoilensky GOK has also contributed to the increase in iron ore concentrate production volumes.

#### **4. Outlook**

We have been observing a strong upward trend in the world slab and flat steel market during Q2 2006. The major factors contributing to the recovery of steel prices are growing raw materials and energy prices as well as obvious shortage of supply in the flat steel market.

According to our estimates, the increase in steel prices will continue at a slower pace during the rest of the year. The market is likely to stabilize by the end of the year due to the cooling-off in demand. NLMK believes that average world steel prices in 2006 will be slightly higher than the levels seen last year.

We believe that NLMK's consolidated sales revenue will increase in Q2 2006 compared with Q1 2006 due to the growing flat steel prices. The most substantial improvement of results is expected in the steel segment. According to our estimates, the operating income in Q2 2006 will benefit from both the higher steel price and a greater proportion of higher value added products.

NLMK acquired the coke producer, Altai-koks, in April 2006. We are expecting a substantial rise in profitability at the newly acquired asset due to the reduction in selling and overhead costs.

NLMK will announce its half-yearly US GAAP results for the 6 months ended 30 June 2006 in the second half of September.

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