



04

STRATEGY

A NEW PHASE OF DEVELOPMENT



NLMK Group's Strategy 2017 is focused on unlocking the significant internal potential of the Group's businesses by boosting operational and process efficiency across the entire production chain, enhancing vertical integration into key raw materials, increasing sales of high value added (HVA) products, and pursuing environmental, safety, and human capital development programmes.

Strategy 2017 targets net gains of US\$ 1.0 billion per annum by 2018, and envisages total new capex of US\$ 1.6 billion.

"With the launch of Strategy 2017, NLMK is entering the next phase of its growth. We have a proven track record of successfully delivering on our strategic objectives in the past, and we believe our new strategy will enable us to strengthen our leading positions in the industry.

Over the last 10 years, we have invested US\$ 11 billion, doubling the size of our business. We now intend to exploit the potential of this platform to ensure further growth and value creation.

Strategy 2017 has a modular structure, combining multiple projects across all business units. We intend to significantly improve the Group's operating efficiency and the quality of our business processes, and to increase self-sufficiency in strategic resources. At the same time, we are working on enhancing our positions in the key markets through better utilization of our newly built and upgraded facilities.

We seek to ensure the robustness of the strategy both through efficiency programmes launched in each division (NLMK Production System), and through implementing more than 100 investment projects with high return hurdles. The mix of operational and investment levers will ensure the Group's sustainable development under various market conditions. NLMK Production System has already delivered savings of US\$ 244 million in 2013 compared with 2012 levels.

The Group's new strategy places a special emphasis on industrial safety, sustainability, and human capital development. These aspects play a decisive role in maintaining the Company's leading position in the long-term perspective."

A stylized, handwritten signature in black ink, reading "O. Bagrin".

Oleg Bagrin,
NLMK Group President and CEO



STRATEGY IN ACTION

1. LEADERSHIP IN OPERATIONAL EFFICIENCY

HOW WE DO IT:

Maximum use of the potential to enhance operational efficiency through investment programmes and NLMK Production System. Target net gains from these measures: US\$ 330 million/year over the 2013 level.

WHAT WE DID IN 2013:

- Developed the NLMK Production System, which includes initiatives to improve the efficiency of

technological and supporting processes and increase labour productivity.

- Developed the management support system through financial control and employee incentive systems.
- Achieved savings of US\$ 244 million.

BY 2018

330

US\$ M

TARGET NET GAINS
FROM THESE MEASURES*

IN 2013

244

US\$ M

SAVINGS

* To the level of 2013



2. WORLD-CLASS RESOURCE BASE

HOW WE DO IT:

100% self-sufficiency in iron ore with a flexible charge structure, and reduced consumption of expensive resources. Target net gains from these measures: US\$ 480 million/year over the 2013 level.

WHAT WE DID IN 2013:

- Continued construction of the pelletizing plant at Stoilensky.
- Identified bottle-necks at Stoilensky. Once eliminated, iron ore concentrate production at existing capacities will increase by up to 1 million tonnes per year.
- Optimized the coal charge and eliminated imported coals in 2014, reducing NLMK's expenses on coking coal and setting up the conditions for the implementation of new technologies for blast furnace operations.
- Implemented a pulverized coal injection (PCI) system at Blast Furnace No.5 at Novolipetsk, reducing natural gas and coking coal consumption.

BY 2018

480

US\$ M
TARGET NET GAINS FROM
THESE MEASURES*

100%

TARGET LEVEL OF SELF-
SUFFICIENCY IN IRON ORE

IN 2014

0

T/Y
IMPORTED COALS
CONSUMPTION

* To the level of 2013



3. LEADING POSITIONS IN STRATEGIC MARKETS

HOW WE DO IT:

Entering new or expanding presence in existing attractive product niches, industries, and regions: higher utilization rates at existing capacities; growth in domestic sales; an increased share of HVA products. Target net gains from these measures: US\$ 190 million per year over the 2013 level.

WHAT WE DID IN 2013:

- Continued implementation of projects to develop the production of transformer steel at the Lipetsk site and VIZ-Steel.
- Development of thick plate sales at NLMK international assets due to the gradual increase of utilization rates at the upgraded facilities of NLMK Europe Plate at NLMK DanSteel and NLMK Clabecq, as well as entry into new product markets.
- Launch of NLMK Kaluga, resulting in an 18% year-on-year increase in sales of long products in 2013.

BY 2018

190

US\$ M

TARGET NET GAINS
FROM THESE MEASURES *

TO 2012

+18%

SALES OF LONG
PRODUCTS IN 2013

* To the level of 2013



4. LEADERSHIP IN SUSTAINABILITY AND SAFETY

HOW WE DO IT:

Systematic minimization of our environmental footprint; compliance of production processes with the strictest OHS standards; leadership in labour productivity in the sector, supported by motivated and involved staff.

WHAT WE DID IN 2013:

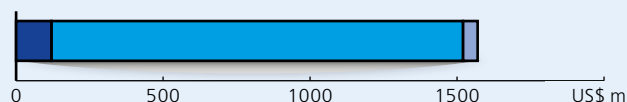
- Reduced specific atmospheric emissions of 3% year-on-year due to the introduction of new environmentally friendly equipment, technological

innovations, and consistent environmental investment.

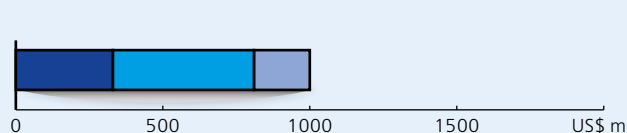
- Approved a new OHS policy focused on achieving the best global OHS standards and ensuring leadership in terms of the production culture.
- Created the conditions for high labour productivity through provision of opportunities for professional training, as well as through the fostering of a strong corporate culture.

KEY OBJECTIVES OF STRATEGY 2017

TOTAL
REQUIRED
CAPEX
2014–2017



TARGETED
ANNUAL
NET GAINS
BY 2018*



- Leadership in operational efficiency
- World-class resource base
- Leading positions in strategic markets

* To the level of 2013