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UNDERSTANDING NLMK
Mining and steelmaking are concentrated in cost-efficient regions; finished products are manufactured close to our main customers in Russia, North America, and the EU.

Thanks to our self-sufficiency in key raw materials and energy, coupled with the technological superiority of our production capacity, NLMK is one of the most efficient and profitable steelmakers in the world. NLMK has a diversified product mix, ensuring its leading position in local markets and its sales effectiveness.
By leveraging our advantages — our flexible production chain, balanced product mix, efficient sales system, and widespread customer base — we are able to react quickly to changing market conditions.

NLMK Group is consistently a financially stable business. The Company maintains a relatively low level of debt despite significant capital investments in major projects over the past decade. With the launch of NLMK Kaluga, NLMK completed its sustainable growth stage and focused on enhancing the efficiency of all business processes, improving product quality, and strengthening its position on the market.

NLMK Group has managed an unprecedented reduction of the environmental impact of its operations through its long-term green initiatives and strives to the highest ecological standards. NLMK Group creates safe working conditions through process improvements, professional training sessions for its employees, and application of the best global standards in occupational health and safety.

<table>
<thead>
<tr>
<th>STABLE OPERATIONAL AND FINANCIAL PERFORMANCE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>+3%</td>
</tr>
<tr>
<td>15.4 M T STEEL PRODUCTION</td>
</tr>
<tr>
<td>95% STEELMAKING CAPACITY UTILIZATION</td>
</tr>
<tr>
<td>35% SHARE OF HVA PRODUCTS</td>
</tr>
<tr>
<td>10.9 US$ BN SALES REVENUE</td>
</tr>
<tr>
<td>14% EBITDA MARGIN</td>
</tr>
<tr>
<td>-48%</td>
</tr>
<tr>
<td>0.76 US$ BN CAPEX</td>
</tr>
<tr>
<td>1.88 IN 2012</td>
</tr>
<tr>
<td>1.80 NET DEBT/EBITDA</td>
</tr>
<tr>
<td>-1 p. p.</td>
</tr>
<tr>
<td>0.76 US$ BN CAPEX</td>
</tr>
<tr>
<td>1.80 NET DEBT/EBITDA</td>
</tr>
<tr>
<td>-10%</td>
</tr>
<tr>
<td>0.76 US$ BN CAPEX</td>
</tr>
<tr>
<td>1.80 NET DEBT/EBITDA</td>
</tr>
</tbody>
</table>

* Hereinafter, all results given are for 2013. Changes are displayed as percentages, relative to the previous period.
EFFICIENT VERTICAL INTEGRATION
OF RAW MATERIALS AND
ENERGY RESOURCES

100% 100% 85% 53%
SELF-SUFFICIENCY IN IRON ORE CONCENTRATE SELF-SUFFICIENCY IN COKE SELF-SUFFICIENCY IN SCRAP SELF-SUFFICIENCY IN ENERGY*

WIDELY DIVERSIFIED
PRODUCTION MODEL,
PRODUCT MIX, AND
SALES MARKETS

80/20% 25% 18% 70+ ~40%
PRODUCTION — BOF/EAf ROUTES OF ROLLING CAPACITY IN EUROPE** OF ROLLING CAPACITY IN THE US SALES MARKETS (IN T) SALES IN THE DOMESTIC MARKET

* Data for NLMK’s main production site in Lipetsk
**Including NLMK Belgium Holdings assets
PRODUCT MIX EXPANSION AND SECURE MARKET POSITIONS

100+
NEW GRADES OF STEEL IN 2000–2013 (LONG AND FLAT PRODUCTS)

~21%
SHARE OF RUSSIAN STEEL PRODUCTION

~9%
SHARE OF THE GLOBAL TRANSFORMER STEEL MARKET

~18%
SHARE OF THE GLOBAL SLAB MARKET

HIGH LEVEL OF CORPORATE SOCIAL RESPONSIBILITY

61,700
EMPLOYEES

~70%
EMPLOYEES ATTENDED PROFESSIONAL TRAINING SESSIONS IN 2013

+74%
US$ M ENVIRONMENTAL INVESTMENT

-3%
-21.9 KGT SPECIFIC ATMOSPHERIC EMISSIONS

-0.04 p.
0.82 LTIFR: LOST TIME INJURY FREQUENCY RATE

* Data for NLMK’s main production site in Lipetsk
CREDIT RATINGS

BB+  
Standard & Poor’s

Baa3  
Moody’s

BBB–  
Fitch

NLMK TICKER CODES

REUTERS

NLMKQ.L  
(LSE)

BLOOMBERG

NLMK LI  
(LSE)

INDICES

INDICES THAT INCLUDE NLMK SHARES

Moscow Exchange (RTS-MICEX)

Moscow Exchange (RTS-MICEX)

Metals and Mining Sector
Thanks to a well-balanced business model, a diversified product mix, and continuous efforts to enhance the efficiency of business processes, NLMK Group has maintained a high level of operational and financial performance.

Optimization of production processes, innovative thinking, and commitment to the principles of corporate social responsibility have allowed the Company to achieve sustainable development goals that will ensure its long-term leadership in the sector.

NLMK GROUP IS ONE OF THE MOST FINANCIALLY STABLE COMPANIES IN THE INDUSTRY.
**ROBUST FINANCIAL POSITION**

- Maintaining an above-average EBITDA for the sector
- Transitioning to a less capital-intensive stage of development
- One of the lowest debt levels in the industry

**SALES REVENUE (US$ BN)**

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6.14</td>
<td>8.35</td>
<td>11.73</td>
<td>12.16</td>
<td>10.91</td>
</tr>
</tbody>
</table>

**EBITDA MARGIN**

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>23.0%</td>
<td>27.8%</td>
<td>19.2%</td>
<td>15.6%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

**CAPEX (US$ BN)**

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>1.12</td>
<td>1.46</td>
<td>2.05</td>
<td>1.45</td>
<td>0.76</td>
</tr>
</tbody>
</table>

**NET DEBT/EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>0.55</td>
<td>0.62</td>
<td>1.49</td>
<td>1.88</td>
<td>1.80</td>
</tr>
</tbody>
</table>

**STABLE OPERATING PERFORMANCE**

- Increased steel production following the launch of NLMK Kaluga
- High capacity utilization rates maintained
- Reduced production costs thanks to efficiency enhancement programmes

**STEEL OUTPUT (M T)**

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>10.6</td>
<td>11.5</td>
<td>12.0</td>
<td>14.9</td>
<td>15.4</td>
</tr>
</tbody>
</table>

**CAPACITY UTILIZATION RATE**

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>86%</td>
<td>97%</td>
<td>94%</td>
<td>95%</td>
<td>95%</td>
</tr>
</tbody>
</table>

* Change 2013/2012
EFFICIENCY ENHANCEMENT AND STABLE BUSINESS DEVELOPMENT

- Higher labour productivity due to increased production efficiency
- Reduced energy intensity of production as a result of initiatives to enhance energy efficiency
- Lower specific atmospheric emissions due to the implementation of modern technologies and environmental initiatives
- Promotion of better occupational safety through improvements to the OHS system

<table>
<thead>
<tr>
<th>STEEL PRODUCT SALES (M T)</th>
<th>SLAB CASH COST (US$/T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'09 10.6</td>
<td>'09 220</td>
</tr>
<tr>
<td>'10 11.7</td>
<td>'10 318</td>
</tr>
<tr>
<td>'11 12.8</td>
<td>'11 396</td>
</tr>
<tr>
<td>'12 15.2</td>
<td>'12 388</td>
</tr>
<tr>
<td>'13 14.8</td>
<td>'13 348</td>
</tr>
</tbody>
</table>

-2%*  -10%*

<table>
<thead>
<tr>
<th>LABOUR PRODUCTIVITY AT NOVOLIPETS (T/PERSON)</th>
<th>SPECIFIC ENERGY INTENSITY (GCAL/T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'09 269</td>
<td>'09 6.29</td>
</tr>
<tr>
<td>'10 308</td>
<td>'10 6.12</td>
</tr>
<tr>
<td>'11 329</td>
<td>'11 6.10</td>
</tr>
<tr>
<td>'12 406</td>
<td>'12 5.74</td>
</tr>
<tr>
<td>'13 420</td>
<td>'13 5.67</td>
</tr>
</tbody>
</table>

+3%*  -1%*

<table>
<thead>
<tr>
<th>SPECIFIC ATMOSPHERIC EMISSIONS (KG/T OF STEEL)</th>
<th>LOST TIME INJURY FREQUENCY RATE (LTIFR) **</th>
</tr>
</thead>
<tbody>
<tr>
<td>'09 30.4</td>
<td>'09 0.83</td>
</tr>
<tr>
<td>'10 28.5</td>
<td>'10 0.86</td>
</tr>
<tr>
<td>'11 27.8</td>
<td>'11 0.86</td>
</tr>
<tr>
<td>'12 22.6</td>
<td>'12 0.86</td>
</tr>
<tr>
<td>'13 21.9</td>
<td>'13 0.82</td>
</tr>
</tbody>
</table>

-3%*  -0.04p.*

*Change 2013/2012
** Per million man hours worked
OUR MILESTONES
Since its inception in 1931, NLMK has made innovation and development its key strategy. In order to achieve maximum levels of production efficiency for its high-quality steels, NLMK has controlled and optimized use of its key raw materials, focused on innovation, and stressed the need for high levels of safety and corporate social responsibility with regard to both its employees and the areas in which it operates.

NLMK GROUP, RUSSIA’S LEADING MANUFACTURER OF STEEL, IS RECOGNIZED AS ONE OF THE WORLD’S MOST COMPETITIVE STEELMAKERS.
MODERN HISTORY OF THE COMPANY

NLMK GROUP STEEL PRODUCTION (M T)

1992-1999
EMERGENCE OF A VERTICALLY INTEGRATED GROUP
During the first years following its privatization, the Company starts to build its raw materials base: NLMK acquires Stagdok and Dolomit, covering its flux needs.

2000-2003
ACTIVE EQUIPMENT UPGRADES AT THE LIPETSK SITE
Energy, coke and chemical, and steelmaking capacities are actively upgraded at the Lipetsk site.
- Production increases to 8.9 m t; energy self-sufficiency rises to 40%.

2004-2006
SHAPING OF NLMK GROUP’S RAW MATERIALS AND ROLLING SEGMENTS
NLMK acquires Stoilensky, which covers its iron ore concentrate and sinter ore needs.
NLMK acquires Altai-Koks, becoming 100% self-sufficient in coke.
- Significant hedging of raw material risks.
NLMK acquires VIZ-Steel, Russia’s second-largest electrical steel producer.
NLMK acquires DanSteel, a Danish thick plate manufacturer.
NLMK and the Duferco Group create a joint venture consisting of one steelmaking and five rolling mill companies, and a network of steel service centres in Europe and the USA.
- Production of finished products from slabs supplied by the Lipetsk site begins close to end customers.
- Further product mix and geographic diversification.

2007
DEVELOPMENT OF THE LONG PRODUCTS DIVISION
NLMK/Dufenco joint venture acquires Sharon Coating (formerly Winner Steel), an American rolled steel manufacturer.
- Further product and geographic diversification.
NLMK acquires 50% plus one share in Maxi-Group.
- Diversification into long products and metalware, and higher self-sufficiency in scrap in the domestic market.

2008
OPTIMIZATION OF THE SALES SYSTEM AND FURTHER GEOGRAPHIC DIVERSIFICATION
NLMK acquires international trading companies Novexco (Cyprus) and Novex Trading (Switzerland).
- Development of an effective sales system, optimization of commodity flows, and further enhancement of the Company’s presence in the core export markets.
NLMK acquires Beta Steel (later renamed NLMK Indiana), a US-based steel and rolled product manufacturer.
- Diversification into hot-rolled coils in the USA.
2011
EXPANSION OF OPERATIONS
NLMK commissions a new steelmaking complex: the 3.4 m t Blast Furnace No. 7 and a new basic oxygen furnace.

- NLMK’s low-cost production base in Russia expands by a third.
- Stable supply of slabs to NLMK’s international rolling assets secured.
- NLMK acquires Steel Invest and Finance rolling assets, formerly part of the NLMK Duferco joint venture.
- Growth of HVA production capacities.
- Balancing of expanding low-cost steel production in Russia with downstream operations close to end users.
- NLMK Clabecq launches a unique quenching and tempering line, expanding its product mix to include high-strength abrasion-resistant Q&T plates.
- Expansion of the Company’s presence in niche segments.

2012
CONSOLIDATION OF LEADERSHIP
With a 20% share in crude steel production, NLMK becomes Russia’s leading steelmaker, expanding its steelmaking capacity in a low-cost region.
NLMK continues to upgrade its steelmaking capacity at the Lipetsk site.
- Secondary treatment facilities allow the Company to produce specialized grades of steel that are in high demand on the market.
- Facilities to produce wide and thick slabs expand NLMK’s semi-finished product mix. International assets are almost fully supplied by in-house slabs; NLMK begins to supply slabs to large-diameter pipe manufacturers.
- NLMK DanSteel revamps its thick plate rolling mill, designed for plates of 5–200 mm in thickness and widths of up to 4,000 mm.
- Consolidation of positions in the plate markets, including new high-growth markets such as offshore drilling platform manufacturing and the offshore wind sector.

2013
FOCUS ON EFFICIENCY IMPROVEMENT
NLMK Group launches a large-scale programme to enhance efficiency at all of its sites.
- Hot-end optimization at Novolipetsk and Altai-Koks.
- Implementation of an optimization programme at NLMK Europe.
- Improvement of profitability by tapping into internal potential.
- Application of innovation in all areas: technology, production, process organization, energy, and logistics.
- Company savings in 2013 total US$ 244 million.
- NLMK launches a next-generation EAF mill, NLMK Kaluga.
- Increased long product output in an undersupplied region.
- Strengthening of the Company’s position in the promising Russian market.
- World Steel Dynamics confirms that NLMK is among the world’s 35 most competitive steelmakers.
- Analysts highlight NLMK’s competitive advantages, such as proximity to growing sales markets and customers, production of high value added products, and technological innovations, as well as the Company’s activities in the areas of social and environmental responsibility and employee safety.
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.”

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.

<table>
<thead>
<tr>
<th>BY 2018</th>
<th>IN 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>330</strong></td>
<td><strong>244</strong></td>
</tr>
</tbody>
</table>

US$ M
TARGET NET GAINS FROM THESE MEASURES*

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 import-ed 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.

<table>
<thead>
<tr>
<th>BY 2018</th>
<th>IN 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>480</td>
<td>0</td>
</tr>
<tr>
<td>US$ M</td>
<td>T / Y</td>
</tr>
<tr>
<td>TARGET NET GAINS FROM THESE MEASURES*</td>
<td>IMPORTED COALS CONSUMPTION</td>
</tr>
<tr>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>TARGET LEVEL OF SELF-SUFFICIENCY IN IRON ORE</td>
<td></td>
</tr>
</tbody>
</table>

* 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:

- Launch of NLMK Kaluga, resulting in an 18% year-on-year increase in sales of long products 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.

<table>
<thead>
<tr>
<th>BY 2018</th>
<th>TO 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>190</td>
<td>+18%</td>
</tr>
<tr>
<td>US$ M</td>
<td>sales of long products in 2013</td>
</tr>
</tbody>
</table>

* 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

<table>
<thead>
<tr>
<th>TOTAL REQUIRED CAPEX 2014–2017</th>
<th>Leadership in operational efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>TARGETED ANNUAL NET GAINS BY 2018*</td>
<td>World-class resource base</td>
</tr>
<tr>
<td></td>
<td>Leading positions in strategic markets</td>
</tr>
</tbody>
</table>

* To the level of 2013
A NEW PHASE OF DEVELOPMENT

OUR BUSINESS MODEL
NLMK GROUP’S BUSINESS MODEL IS BASED ON A BALANCE IN OUR PRODUCTION CHAIN, PRODUCT PORTFOLIO, AND SALES MARKETS.

NLMK is a vertically integrated group with a well-balanced value chain, providing control over every stage of steel production, from the mining of raw materials to the sale of high-technology finished products to end users.

At all stages of this process, we adhere to our commitment to corporate responsibility, seeking to ensure the well-being of our staff, the local communities, and the environment.
NLMK GROUP’S VERTICALLY INTEGRATED BUSINESS MODEL

NLMK has created a unique business model. A key factor is our ability to make the most of our strategic advantages based on the geographical location of our assets. Mining and steel production (the most material- and resource-intensive aspects of the metallurgical process) are concentrated in low-cost regions, while finished products are manufactured much closer to the Group’s client base. This allows NLMK to minimize expenditure on production and logistics while at the same time swiftly and flexibly adapting to the changing requirements of our end users and the situation in local sales markets.

The key stages of our production chain are:

1. **UPSTREAM**

Our Russian assets fully supply the Group’s requirements for iron ore concentrate, sinter ore, and coke, and the majority of our scrap and electrical power needs. NLMK manages one of the most efficient iron ore manufacturers in the world, which is situated close to the Group’s main steel production facility and has reserves of over 6 billion tonnes. Novolipetsk and Altai-Koks have their own energy-generating capacities that run on by-product gases and cover the companies’ energy needs. Altai-Koks even sells excess energy to third-party consumers.
MIDSTREAM

NLMK has a flexible production chain. Approximately 20% of our steel is produced using electric arc furnace (EAF-based) technology, and 80% is manufactured using basic oxygen furnaces (BOF) at one of the most economically run companies in the world: our site at Lipetsk.

About 94% of our steelmaking capacity is located in Russia, next to our main sources of raw materials and close to key end users of our products (about 40% of our sales).

DOWNSTREAM

Production and sale of our wide range of finished products is evenly split between developing and mature markets, which ensures both growth and stability.

A substantial proportion of finished products are manufactured by NLMK rolling facilities close to our wide client base, which has strict requirements in terms of product quality and delivery deadlines.
1 UPSTREAM

The extraction and processing of raw materials used in steel production

IRON ORE

Iron ore concentrate and sinter ore are the key input materials in pig iron and BOF steel production.

ADVANTAGES

Stoilensky supplies all of the Group’s requirements for iron ore concentrate and sinter ore, and when our pelletizing plant is completed, it will cover all NLMK’s needs for iron ore, including iron ore pellets. In addition, its ferruginous sludge (waste) utilization technology will allow us to further reduce our consumption of iron ore.

COKE AND COKING COAL

Coke is used as a raw material in the production of pig iron. It is obtained by baking a blend of several grades of ground coking coals.

ADVANTAGES

Altai-Koks and the coke batteries at the Lipetsk site supply more than 100% of the Group’s requirements for coke, which is used in the blast furnaces to produce pig iron. In 2013, pulverized coal injection (PCI) technology was introduced at Novolipetsk’s Blast Furnace No. 5, partially supplanting expensive coke and natural gas with a far more cost-effective alternative. Another innovation — the use of a petroleum coking additive — enabled us to improve the quality of the coke. The use of granulated tar pitch allowed us to reduce the amount of expensive coal grades in the charge.

SCRAP

Steel is fully recyclable. At the end of their useful life, steel products can be used as input for smelting. Scrap is used in both EAF and BOF operations.

Our extensive resource base is situated in a low-cost region (Russia)
ADVANTAGES

Scrap processing businesses within NLMK Group provide about 85% of the ferrous scrap required by our Russian steelmaking plants. To supply the increased demand for scrap (taking into account the rise in scrap consumption following the launch of NLMK Kaluga), the Group is continuing to develop its scrap processing division. In 2013, NLMK's scrap processing site in the city of Podolsk commissioned a shredder, thus expanding NLMK's ferrous scrap processing capacity and maintaining a high level of self-sufficiency after the launch of NLMK Kaluga.

FLUXES

Fluxes are used to manufacture refractories, and in sinter and BOF processes.

ADVANTAGES

Stagdok (limestone) and Dolomit (dolomite) fully cover our flux requirements.

ELECTRICITY

Electricity is one of the main energy sources used in steel production.

ADVANTAGES

NLMK has generating plants that run mainly on by-product gases from coke and blast furnace operations. In 2013, the Lipetsk site was 53% energy self-sufficient. At Altai-Koks, enough energy is generated to meet all of the Company’s requirements, and the excess is sold to third-party consumers.

<table>
<thead>
<tr>
<th>100%+</th>
<th>100%</th>
<th>85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SELF-SUFFICIENCY IN COKE</td>
<td>SELF-SUFFICIENCY IN IRON ORE CONCENTRATE AND SINTER ORE</td>
<td>SELF-SUFFICIENCY IN SCRAP</td>
</tr>
<tr>
<td>53%</td>
<td>100%+</td>
<td></td>
</tr>
<tr>
<td>SELF-SUFFICIENCY IN ENERGY *</td>
<td>SELF-SUFFICIENCY IN FLUX</td>
<td></td>
</tr>
</tbody>
</table>

* At the Lipetsk site
MIDSTREAM

This is the process of converting raw materials into the components used to charge the furnaces, as well as the production of crude steel and cast slabs.

PROCESS

The Group’s steelmaking operations are well balanced, using different methods: the basic oxygen furnace (BOF) route, representing over 80% (at the low-cost Novolipetsk site), is complemented by electric arc furnace (EAF) production, representing nearly 20% (at NLMK Russia Long, NLMK Europe Plate, and NLMK USA).

ADVANTAGES

This balanced business model allows us to quickly and flexibly adjust our production according to the market situation. The steel produced by our Group in Russia is one of the lowest-cost products in the world. This is facilitated by proximity to the sources of our raw materials, the relatively low cost of energy and labour, and the highly efficient technology we use.

Over the last few years, NLMK has been actively developing its secondary metallurgy capacity. This has allowed us to expand our product mix to include high-quality grades of steel that are in demand on the market.

Recently, this competitive advantage has allowed the Group to further expand its low-cost production base in Russia: in 2011, we commissioned a new blast furnace and a basic oxygen furnace, thus increasing our steelmaking capacity by over a third. In 2013, we commissioned a next-generation EAF plant, NLMK Kaluga, with a capacity of approximately 1.5 million tonnes of steel.
3 DOWNSTREAM

This is the process of creating rolled steel, ready for sale.

PROCESS

NLMK’s steel processing plants are diversified both geographically and in terms of the products they manufacture.

ADVANTAGES

NLMK’s strength is the proximity of its finished product manufacturing sites to its end consumers. Russia, the EU, and the US have traditionally been NLMK’s key sales markets, and it is in these regions that the Group’s rolling mills are located.

Having set up an efficient production flow and flexible sales strategy, NLMK can adjust its production programme according to the demands of the market. When demand shrinks for high value added (HVA) products, NLMK can switch to standard steel production with practically no losses, and direct sales to more profitable markets. When demand recovers, the Company can increase its HVA product output, balancing out production.

---

**14+ M T/Y**

Total rolling capacity

**90%+**

OF STEEL PRODUCED CAN BE PROCESSED AT OUR OWN ROLLING MILLS IN RUSSIA AND ABROAD *

**35%**

SHARE OF HVA IN FINISHED PRODUCT OUTPUT

**80%**

OF ROLLED STEEL IS SOLD CLOSE TO WHERE IT IS PRODUCED

* Including NLMK Belgium Holdings (NBH) capacities
GROUP STRUCTURE
Our vertically integrated operations are organized into three clear geographical operating divisions, and span virtually the entire steelmaking value chain, from mining to processing steel into finished products.

Service centres and trading companies ensure uninterrupted, just-in-time deliveries, and a high level of customer service in over 70 countries around the world.

NLMK is a global steelmaker with operations in Russia, Europe, and the USA, and a presence in all key markets.
### NLMK RUSSIA

This is the Group’s key business segment comprising its mining, coke-chemical, steel production, and rolling assets. Over 90% of our steelmaking assets, including the NLMK Kaluga Mini-Mill launched in 2013, are located in Russia. This segment accounts for about 60% of flat steel products and 100% of long products. NLMK Russia comprises three business units: NLMK Russia Flat, NLMK Russia Long, and NLMK Russia Raw Materials.

#### CORE BUSINESSES

<table>
<thead>
<tr>
<th>NLMK Russia Flat</th>
<th>NLMK Russia Long</th>
<th>NLMK Russia Raw Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Novolipetsk</td>
<td>NSMMZ</td>
<td>Stoilensky</td>
</tr>
<tr>
<td>VIZ-Steel</td>
<td>NLMK Metalware</td>
<td>Altai-Koks</td>
</tr>
<tr>
<td></td>
<td>NLMK Kaluga</td>
<td>Stagdok</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dolomit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vtorchermet NLMK</td>
</tr>
</tbody>
</table>

#### PRODUCTS

- Slabs
- Hot-rolled steel
- Cold-rolled steel
- Galvanized steel
- Pre-painted steel
- Electrical steel: dynamo and transformer steel
- Billets
- Rebar
- Wire rod
- Sections
- Metalware
- Iron ore concentrate
- Sinter ore
- Coke
- Limestone, dolomite
- Scrap metal

#### SALES MARKETS

**Global market**
- 18% of the global slab market

**Russian market**
- Cold-rolled steel: 24%
- Pre-painted steel: 21%
- Galvanized steel: 17%
- Rebar: 18%
- 14% of Russian iron ore concentrate production

#### 2013 PRODUCTION HIGHLIGHTS**

- 14.6 m t of crude steel (+5% y-o-y)
- 5.4 m t of flat steel (+5% y-o-y)
- 2.0 m t of long steel and metalware (+16% y-o-y)
- 6.7 m t of coke, 6% moisture (–6% y-o-y)
- 15.4 m t of iron ore (–1% y-o-y)
- 2.3 m t of dolomite (+10% y-o-y)
- 3.9 m t of limestone (+7% y-o-y)
- 2.2 m t of scrap processed (+4% y-o-y)

#### EMPLOYEES

~58,100 PEOPLE

### NLMK EUROPE

NLMK Europe produces a wide range of HVA flats. NLMK’s industrial model is unique in Europe and based on the efficient supply of semi-finished products (slabs) from Russia to flexible, high-quality European processing facilities close to key customers. NLMK Europe includes two business units: NLMK Europe Strip and NLMK Europe Plate.

#### CORE BUSINESSES

<table>
<thead>
<tr>
<th>NLMK Europe Strip*</th>
<th>NLMK Europe Plate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NLMK La Louvière (Belgium)</td>
<td>NLMK DanSteel (Denmark)</td>
</tr>
<tr>
<td>NLMK Coating (France)</td>
<td>NLMK Clabeucq (Belgium)</td>
</tr>
<tr>
<td>NLMK Strasbourg (France)</td>
<td>NLMK Verona (Italy)</td>
</tr>
</tbody>
</table>

#### PRODUCTS

- Hot-rolled steel
- Cold-rolled steel
- Galvanized steel
- Pre-painted steel
- Thick plates, including quenched and tempered

#### SALES MARKETS

- 2% of the EU strip market
- 8% of the EU plate market

#### 2013 PRODUCTION HIGHLIGHTS**

- 0.1 m t of steel (–13% y-o-y)
- 1.0 m t of flat steel (–12% y-o-y)
- 1.0 m t of thick plate (+4% y-o-y)

#### EMPLOYEES

~2,500 PEOPLE**
NLMK USA

NLMK USA comprises three flat steel production assets. The Division has an electric arc furnace (EAF), hot-rolling facilities, and a common distribution structure.

**CORE BUSINESSES**

• NLMK Indiana (Portage, IN, USA)
• Sharon Coating (Sharon, PA, USA)
• NLMK Pennsylvania (Farrell, PA, USA)

**PRODUCTS**

• Slabs
• Hot-rolled steel
• Cold-rolled steel
• Galvanized steel

**SALES MARKETS**

• 3% of the US flat steel market

**2013 PRODUCTION HIGHLIGHTS**

• 0.7 m t of steel (–7% y-o-y)
• 1.8 m t of flat steel (+2% y-o-y)

**OUR SUPPORTING BUSINESSES**

Our supporting businesses include service and trading assets that allow us to diversify our sales, enhance our access to core export markets, and establish better control over export operations. Sales operations in the Group’s export markets are handled through our traders.

* NLMK’s European rolling assets, with the exception of NLMK DariSteel, were united under NLMK Belgium Holdings. Starting from 30 September 2013, its results are not consolidated when preparing NLMK Group’s financial reporting.

**Including NLMK Belgium Holdings results; reference data is presented without taking account of the deconsolidation of the asset in Q4 2013.
WHERE WE OPERATE
Our sales to Russia are balanced with the sales to mature markets like Europe and USA and emerging markets such as those in Asia and the Middle East.

NLMK Group has assets on three continents. We sell our high-quality products to buyers in more than 70 countries worldwide.

WE MAKE EVERY EFFORT TO OPTIMIZE EACH STEP OF THE PRODUCTION PROCESS IN ORDER TO MINIMIZE LOGISTICS COSTS AND PROVIDE ACCESS TO THE END USER.
THE LOCALITY OF OUR BUSINESS MODEL

- Group sales by region in 2013*
- NLMK operations
- Other regions of NLMK presence
- Assets under feasibility study and construction
- Service centers and trading companies
- Sea ports
- NLMK logistics

* Revenue by region

<table>
<thead>
<tr>
<th>CONTINENTS WHERE NLMK IS ACTIVE</th>
<th>SERVICE CENTRES AND TRADING COMPANIES IN KEY END MARKETS</th>
<th>COUNTRIES IN WHICH NLMK ASSETS ARE LOCATED</th>
<th>SALES MARKETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>16</td>
<td>13</td>
<td>70+</td>
</tr>
</tbody>
</table>

BREAKDOWN BY CAPACITY

- **UPSTREAM**
  - 100%
  - NLMK Russia

- **MIDSTREAM**
  - 1%
  - 5%
  - 94%
  - NLMK Europe
  - NLMK USA

- **DOWNSTREAM**
  - 19%
  - 56%
  - 25%
  - NLMK Russia
  - NLMK Europe
  - NLMK USA

- EU
  - US$ 2.07 bn (2.53 m t)
- North America
  - US$ 1.56 bn (2.10 m t)
- Other regions
  - US$ 1.23 bn (1.51 m t)
STEEL PRODUCT SALES
BY REGION IN 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>MT (mT)</th>
<th>US$ BN (BN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>14.83</td>
<td>4.37</td>
</tr>
<tr>
<td>EU</td>
<td>2.53</td>
<td>1.23</td>
</tr>
<tr>
<td>North America</td>
<td>1.51</td>
<td>1.09</td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>5.79</td>
<td>0.79</td>
</tr>
<tr>
<td>Middle East, incl. Turkey</td>
<td>2.53</td>
<td>0.88</td>
</tr>
<tr>
<td>Other regions</td>
<td>1.56</td>
<td>1.56</td>
</tr>
<tr>
<td>Other regions</td>
<td>2.07</td>
<td>1.56</td>
</tr>
</tbody>
</table>

Russia: US$ 4.37 bn (5.79 m t)
EU: US$ 2.07 bn (2.10 m t)
North America: US$ 1.56 bn (1.44 m t)
Asia and Oceania: US$ 0.79 bn (1.44 m t)
Middle East, incl. Turkey: US$ 0.88 bn (1.46 m t)
Other regions: US$ 1.23 bn (1.51 m t)
PRODUCTS AND USES
The Company’s integrated production model enables it to offer its customers a diversified portfolio of high-quality products and be responsive to changes in market conditions.

NLMK Group’s high-quality steel products are used in a variety of industries, from construction and machine-building to the manufacture of power generation equipment and offshore windmills.
SALES BY PRODUCT
IN 2013

1% Pig iron
27% Slabs
5% Plates
24% Hot-rolled
14% Cold-rolled
7% Galvanized
4% Pre-painted
2% Transformer
2% Dynamo steel
1% Billets
11% Long products
2% Metalware
NLMK is a leading international steelmaker.

Our steel is used in many different industries for a variety of products:

CONSTRUCTION, INCLUDING CONSTRUCTION INFRASTRUCTURE
Supporting structures and facing materials, reinforced concrete structures, roof tiles, air conditioning systems, railway infrastructure, highway construction, bridges, etc.

MECHANICAL ENGINEERING
Mining equipment, agricultural and construction (yellow) machinery, lifting and transport equipment, railway engineering, shipbuilding, wind power engineering, heating and power plants, and offshore drilling platforms

VEHICLE MANUFACTURING
Body panels and parts for cars and commercial vehicles

PIPES
Large-diameter pipes for the oil and gas industry, water and gas pipes

HOUSEHOLD GOODS
Gas and electric ovens, washing machines, refrigerators, dishwashers, extractor fans, household boilers, etc.

ELECTRICAL EQUIPMENT AND INSTRUMENT MAKING
Transformers, electric motors, and generators
RUSSIAN SALES
BY INDUSTRY

Metal traders*
Construction
Metallurgical complex
Tube & pipe
Automotive
Machine building
Electric and instrument engineering
Household appliances
Others

5.79 m t/y

* The majority of sales by metal traders are to the construction sector
HVA PRODUCTS

NLMK is a leading provider of high-quality steel products in key markets.

Our range of high value added products includes cold-rolled steel, galvanized steel, pre-painted steel, electrical steel (transformer and dynamo), a wide range of thick plates, and metalware.

Over the course of the last few years the Company has undergone growth of its downstream product portfolio through both organic expansion as well as the acquisition of rolling assets with direct access to key market segments.

In 2013, we maintained a high level of HVA sales: 5.2 million tonnes, accounting for 35% of total sales.

A large volume of HVA products is produced by NLMK Group’s Russian assets; there was a structural shift in the product mix towards an increased share of finished products following the consolidation of European and American assets specializing in the production of HVA products.
FLAT PRODUCTS

Flat steel is most widely used in sectors such as construction, electrical equipment, machine building (including automotive), energy, shipbuilding, and pipe manufacture.

* High value added products
High value added products

Transformer (grain oriented) steel is used in the electrical industry for the manufacture of transformer cores and fixed components for electrical equipment.

Pre-painted steel is used in construction for the production of roofing and finishing materials, and casings for consumer and commercial technology (household appliances).

Dynamo (non grain oriented) steel is used for the production of electrical equipment, such as components for electric motors and generators.

Galvanized steel is used in the production of machine body parts, roofing materials, and load-bearing structures in hostile environments.

* High value added products
LONG PRODUCTS

Long products are used primarily in construction and infrastructure projects, which account for over two thirds of the total consumption of this type of product.

**Rebar** is used in the construction of reinforced concrete structures for road and building construction.

**Wire rod** is drawn into wire and used mainly in construction, as well as in transport engineering (steel cords).

**Metalware products** are primarily used in the construction sector (fasteners, nails, mesh), as well as in transport engineering.

---

* High value added products
### Production

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity utilization rate, %</td>
<td>86%</td>
<td>97%</td>
<td>94%</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>Steel output, m t</td>
<td>10.614</td>
<td>11.547</td>
<td>11.968</td>
<td>14.923</td>
<td>15.429</td>
</tr>
</tbody>
</table>

### Sales

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel product sales, m t</td>
<td>10.599</td>
<td>11.731</td>
<td>12.840</td>
<td>15.184</td>
<td>14.831</td>
</tr>
<tr>
<td>including share of finished product sales, %</td>
<td>60%</td>
<td>60%</td>
<td>67%</td>
<td>70%</td>
<td>71%</td>
</tr>
<tr>
<td>share of sales to Russian market, %</td>
<td>27%</td>
<td>32%</td>
<td>33%</td>
<td>32%</td>
<td>39%</td>
</tr>
<tr>
<td>share of sales to export market, %</td>
<td>73%</td>
<td>68%</td>
<td>67%</td>
<td>68%</td>
<td>61%</td>
</tr>
</tbody>
</table>

### Financial indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, US$ m</td>
<td>6 140</td>
<td>8 351</td>
<td>11 729</td>
<td>12 157</td>
<td>10 909</td>
</tr>
<tr>
<td>EBITDA, US$ m</td>
<td>1 414</td>
<td>2 322</td>
<td>2 254</td>
<td>1 900</td>
<td>1 505</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>23.0%</td>
<td>27.8%</td>
<td>19.2%</td>
<td>15.6%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Operating profit, US$ m</td>
<td>892</td>
<td>1 795</td>
<td>1 666</td>
<td>1 133</td>
<td>644</td>
</tr>
<tr>
<td>Net profit, US$ m</td>
<td>215</td>
<td>1 255</td>
<td>1 358</td>
<td>596</td>
<td>189</td>
</tr>
<tr>
<td>Dividends to net profit (US GAAP), %**</td>
<td>21%</td>
<td>30%</td>
<td>28%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Net debt, US$ m</td>
<td>796</td>
<td>1 454</td>
<td>3 355</td>
<td>3 574</td>
<td>2 702</td>
</tr>
<tr>
<td>Net debt / EBITDA</td>
<td>0.56</td>
<td>0.63</td>
<td>1.49</td>
<td>1.88</td>
<td>1.80</td>
</tr>
</tbody>
</table>

*Net profit attributable to NLMK shareholders.

**Dividend data is based on the resolution of the Annual General Meeting of Shareholders. Dividend payments amounted to 35% of NLMK’s US GAAP net profit for 2013, adjusted to one-off non-monetary factors (creating a reserve), as well as expenses related to previous periods.

### Social and environmental indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount, '000 people</td>
<td>62.8</td>
<td>59.4</td>
<td>60.4</td>
<td>62.5</td>
<td>61.7</td>
</tr>
<tr>
<td>Labour productivity, t/person</td>
<td>169</td>
<td>194</td>
<td>198</td>
<td>239</td>
<td>250</td>
</tr>
<tr>
<td>Specific air emissions per tonne of steel, kg/t</td>
<td>30.4</td>
<td>28.5</td>
<td>27.8</td>
<td>22.6</td>
<td>21.9</td>
</tr>
<tr>
<td>Energy consumption per tonne of steel, Gcal/tonne</td>
<td>6.29</td>
<td>6.12</td>
<td>6.10</td>
<td>5.74</td>
<td>5.67</td>
</tr>
</tbody>
</table>
CONTACT INFORMATION

You can access information about NLMK from a variety of sources. Visit our corporate website for more information www.nlmk.com.

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