



NLMK'S CORE ASSET OF THE GROUP IS NOVOLIPETSK (LIPETSK OPERATIONS).

The company's capacity is 13 m t of crude steel. It produces flat steel and semis (slabs). The company operates state-of-the art equipment and boasts the lowest cost of steel production globally.

The company is pursuing further efficiency improvements benefiting from economy of scale, advanced R&D/Engineering capabilities, modern assets and skillful team.

The company was name the Best Steel Company globally by S&P Platts and top5 Most competitive steel companies by World Steel Dynamics (WSD, USA).

In 2016 for its second to none progress in efficiency improvement, 100% capacity utilization rate and profitability growth. The company is in the middle of its Strategy 2017 results delivery and confirms its plan to add a structural annual gain of another \$500 m till the end of 2017.

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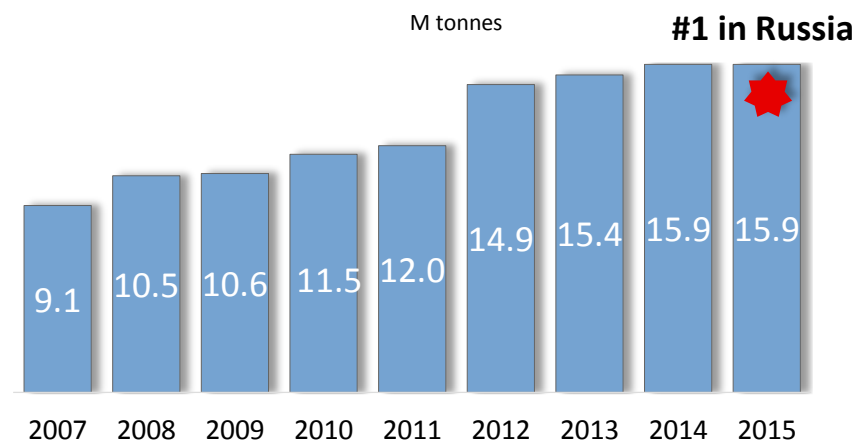
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ABOUT NLMK

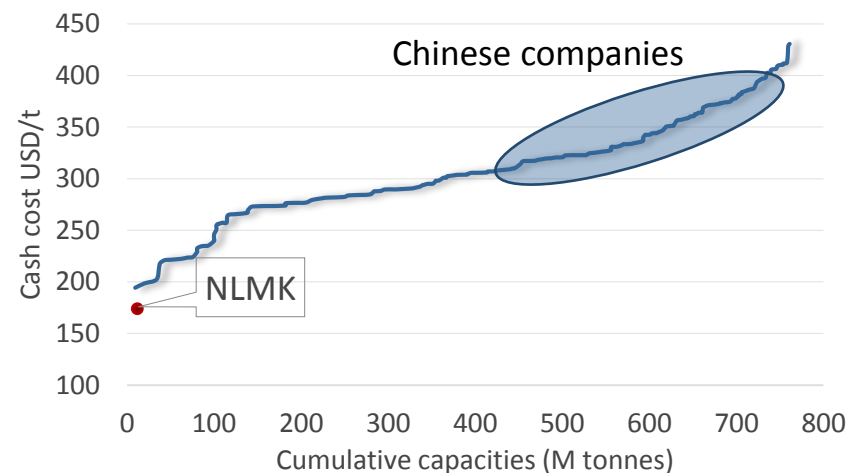
- **TOP20 steelmakers producers in the world**
- **Business value chain:**
 - Raw materials in Russia (up to 100% sufficiency)
 - Steel-making in Russia (95% of total)
 - Value added downstream in Russia, Europe and USA
- **Lowest cost steel producer globally**
- **Capacity utilization is 100% through the cycle**
- **USD15 bn invested in modernization/development from 2005**
- **Global customers' base:**
 - Shipbuilders, automotive, energy generation and transmission, construction, wind-mills, large diameter pipes, etc.
- **Financial stable company**
 - Highest credit ratings in Russia (investment grade from Fitch)
 - Net debt to EBITDA of 0.6x
- **Global recognition**
 - Best steel company globally in 2016 (by S&P Platts)
 - TOP5 most competitive companies globally (WSD)

NLMK STEEL PRODUCTION



Source: NLMK

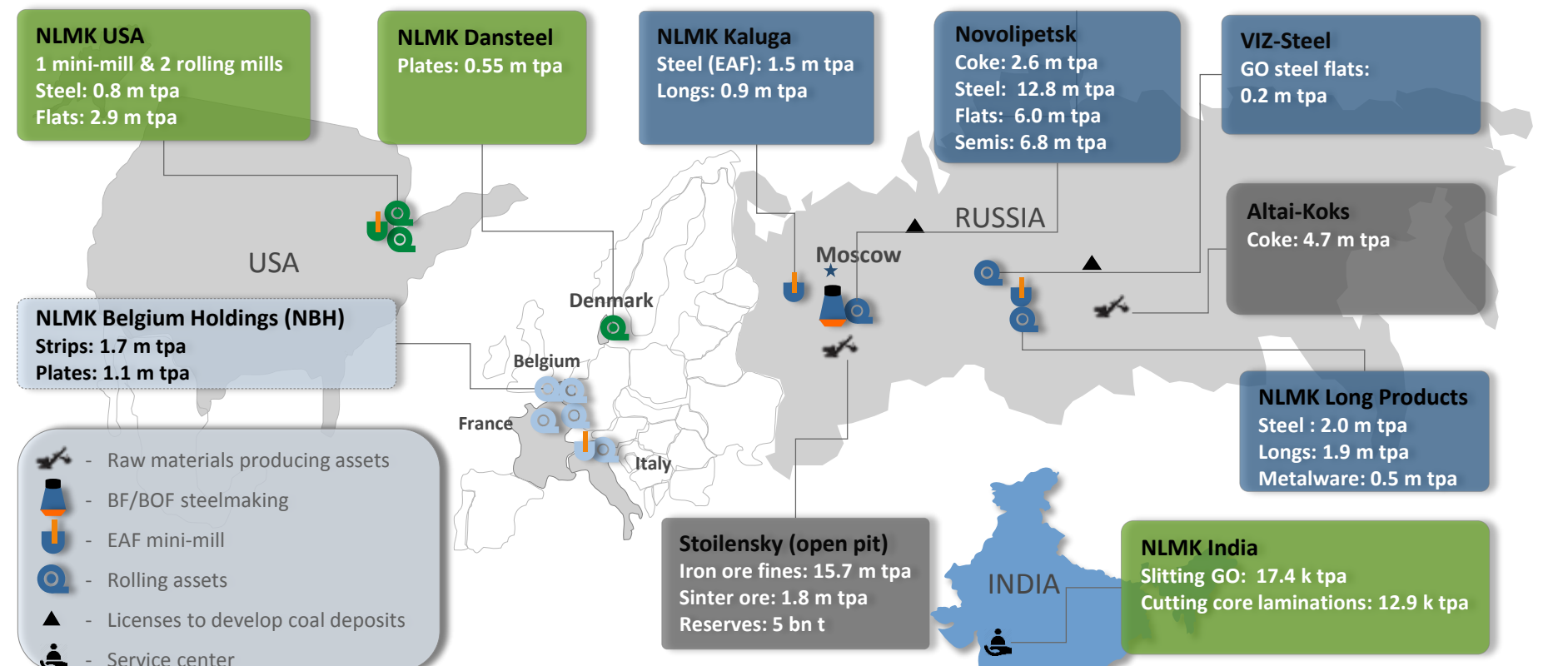
SLAB PRODUCTION COST (APR '16)



Source: World Steel Dynamics

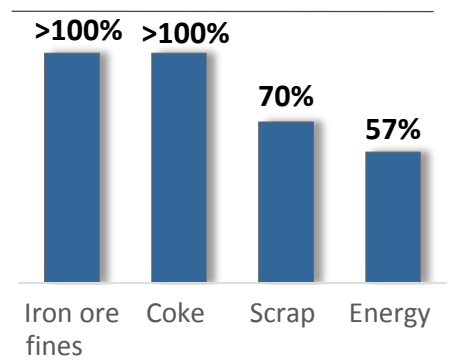
Well positioned to further enhance its competitive advantages

GEOGRAPHY & PRODUCTION CAPACITY

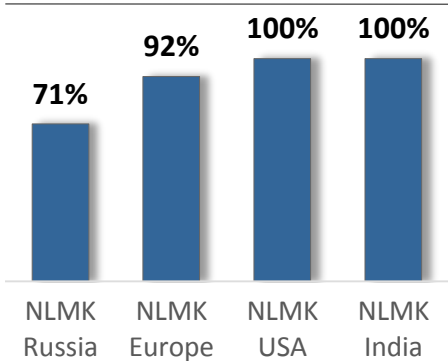


Source: Company data as of FY 2015; * Finished steel

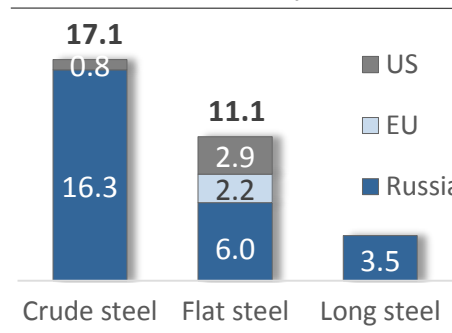
RAW MATERIALS SUFFICIENCY



“DOMESTIC” SALES, %

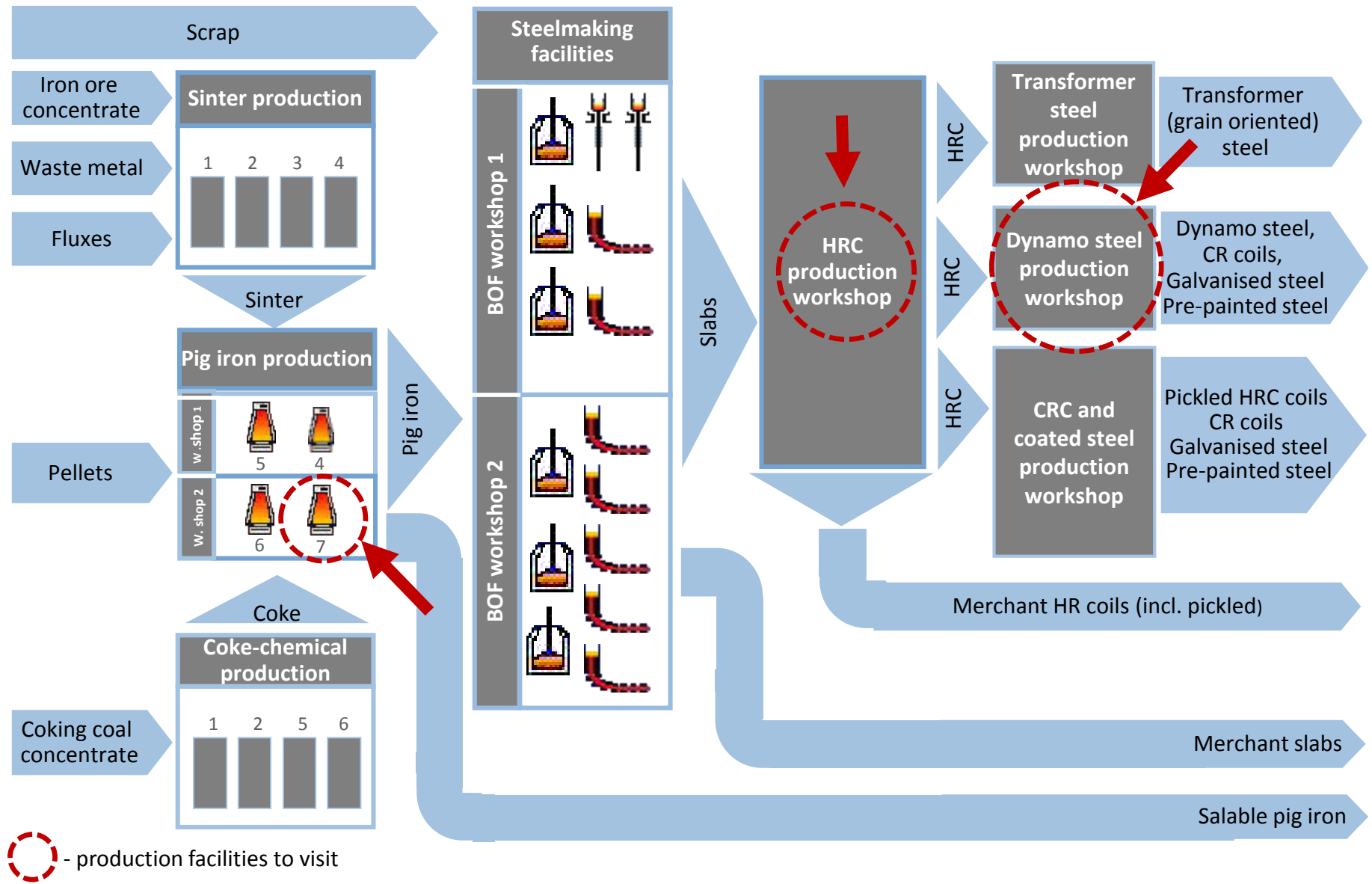


STEEL CAPACITY, M TPA

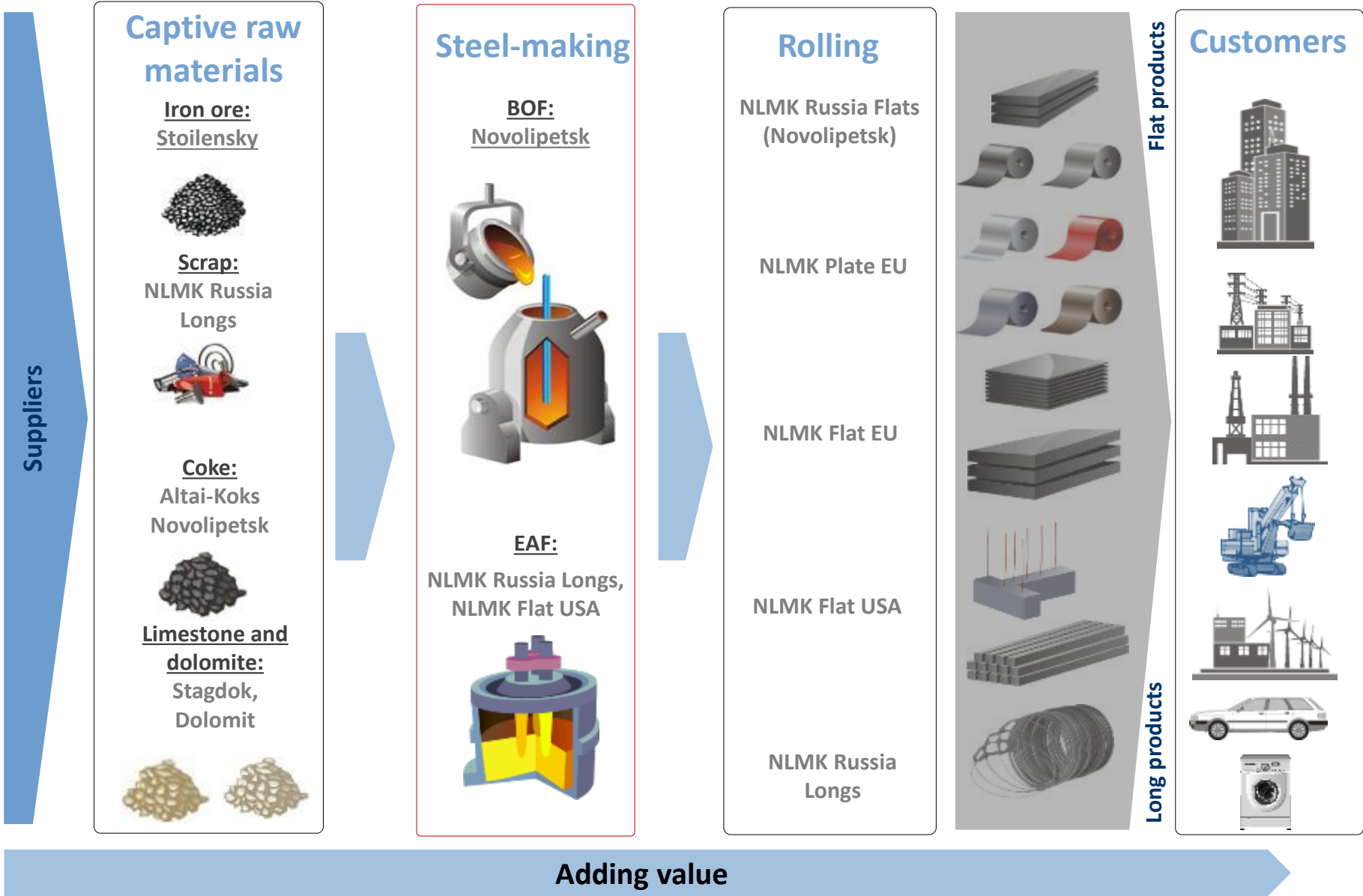


Well positioned and diversified value chain

NOVOLIPETSK PRODUCTION FLOW



VALUE CHAIN



LIPETSK KEY HIGHLIGHTS

- **Hot end capacity: 13 m tpa of steel**

- BF's number: 5
- BF's capacity: 13 m tpa
- BOFs number: 6 in two workshops

- **Rolling capacities**

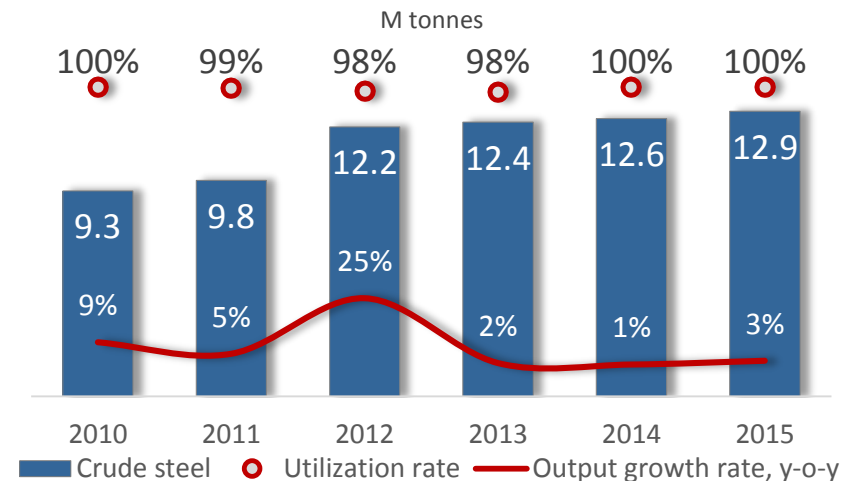
- HRC mill: up to 6 m tpa
- CRC mills* up to: 3.6 m tpa
- Coated mills up to: 1.8 m tpa
- Grain-oriented steel up to: 0.1 m tpa

- **Products:**

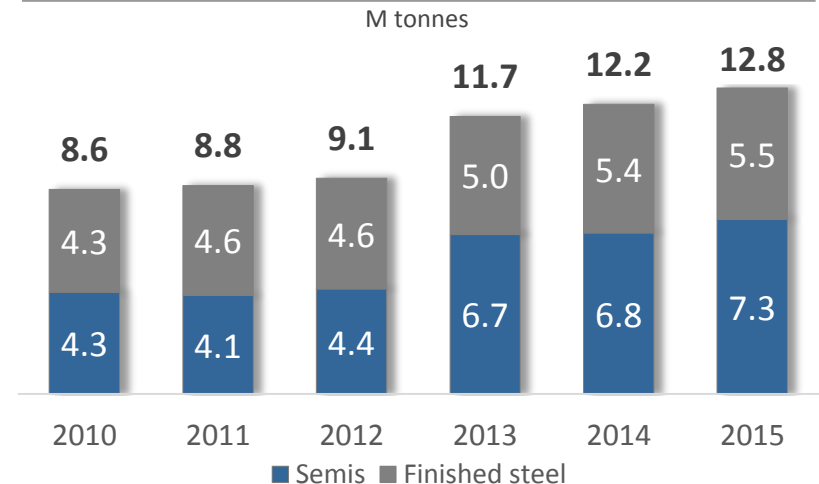
- Merchant pig iron
- Merchant slabs (incl niche products): up to 7 mln t
- Flat steel: ~6 mln t, main routes:
 - HRC -> **customers**
 - HRC -> CRC -> **customers**
 - HRC -> CRC -> HDG -> **customers**
 - HRC -> CRC -> HDG -> Pre-painted -> **customers**
 - HRC -> CRC electrical steel -> **customers**

* Including non-grain oriented (dynamo) steel

Growth rates of output and utilization rates

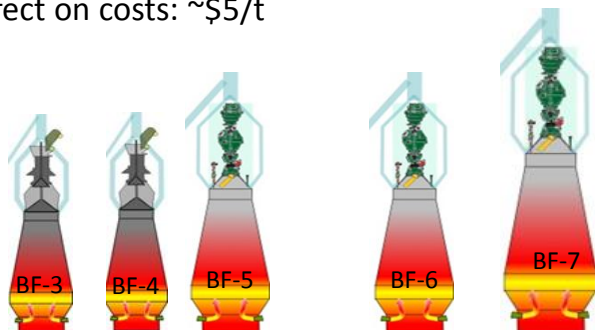


Lipetsk: semis & finished steel output



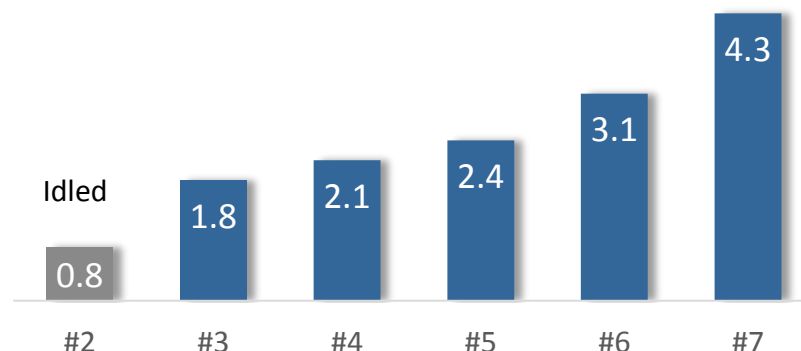
BF OPERATIONS

- **Hot end capacity: over 13 m tpa of pig iron**
- **Raw materials requirements for 13 mtpa:**
 - Pellets: ~7.0 m t
 - Iron ore concentrate: ~11.4 m t
 - Coke: ~5.4 m t
 - Natural gas: ~1.3 bn m3
- **Output:**
 - Over 90% of pig iron is further processed at BOFs
- **Optimization:**
 - 2012: 6 BFs with annual capacity of 12.6 mtpa
 - 2016: 5 BFs with annual capacity of >13 mtpa
- **PCI technology:**
 - At 40% of capacity currently (in '17 – up to 90%).
 - Economics: 20-25% drop in coke consumption, 70-80% drop in nat. gas.
 - Effect on costs: ~\$5/t



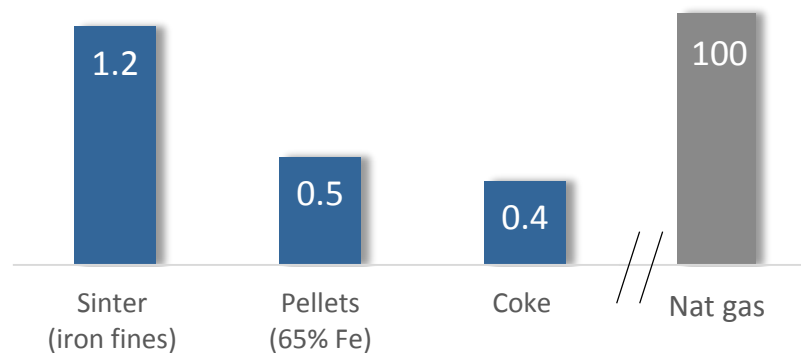
OF BLAST FURNACES & CAPACITY (MT)

Total over 13 mtpa



Source: NLMK

GENERIC RATIOS FOR 1 T OF PIG IRON OUTPUT

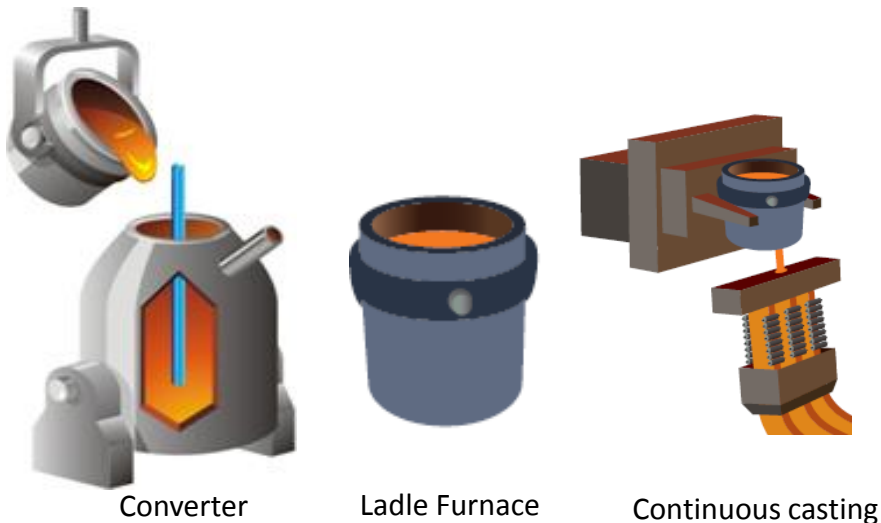


Source: NLMK

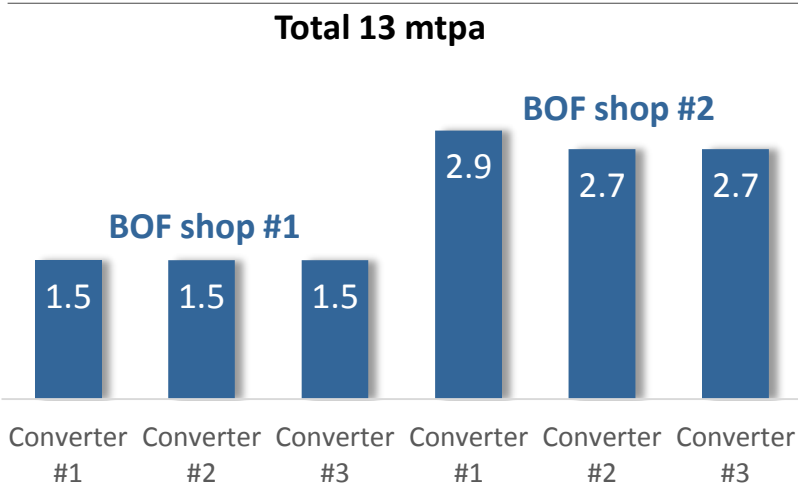
One of the most effective BF production in the world

BASIC OXYGEN FURNACE (BOF) OPERATIONS

- **Steelmaking capacity: 13 m tpa of steel**
 - BOFs number – 6 in two workshops
 - Capacity per molt: BOF shop #1 154t, BOF shop #2 320t
- **Raw materials requirements for 13 mtpa:**
 - Pig iron: ~12.2 mt
 - Scrap: ~1.3 mt (purchased scrap)
 - Ferroalloys: ~0.16 mt (incl. own produced)
- **Output:**
 - 100% of steel passed of Secondary Metallurgy processing
 - 100% of steel is casted into slabs
 - 50% of slabs are merchant
 - 50% of slabs are processed into downstream

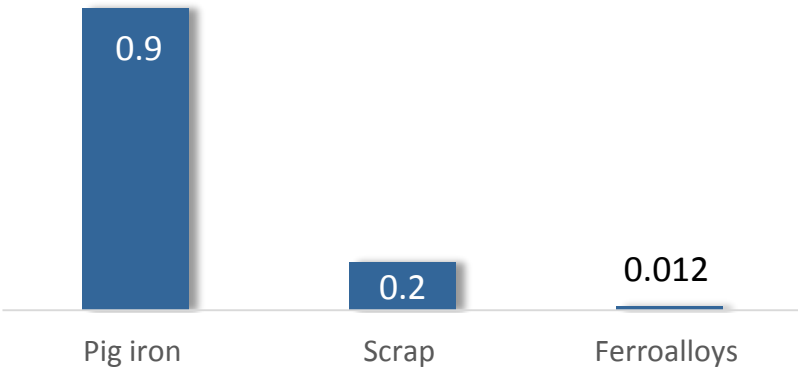


OF BOFS & CAPACITY (MT)



Source: NLMK

GENERIC RATIOS FOR 1 T OF CRUDE STEEL OUTPUT

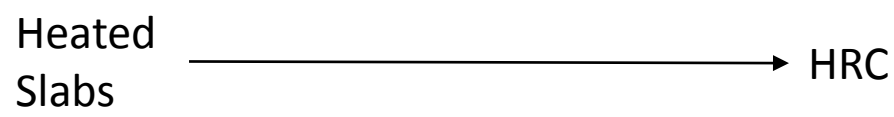


Source: NLMK

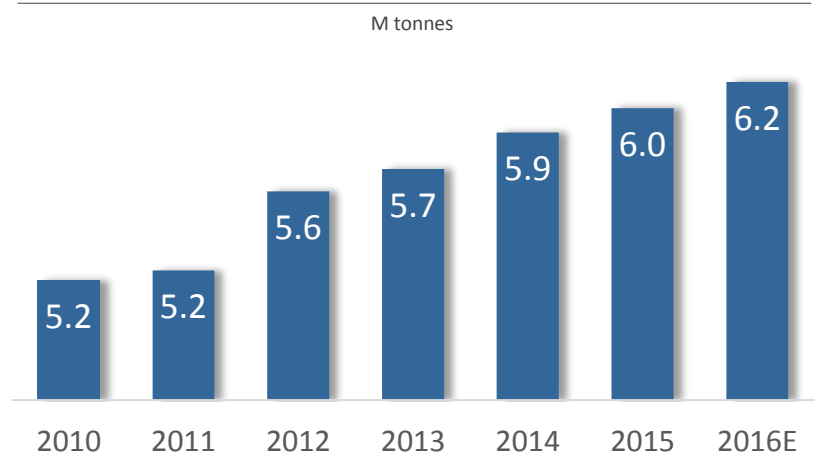
One of the lowest cost steel producer

HRC MILL 2000

- **HRC mill capacity is: up to 6 m tpa**
 - Continuous HR mill – 2000 (width of mill rolls: 2000 mm)
 - Number of furnaces: 5 (slab heating)
 - Number of stands: 12
 - Length of technological line: 1.2 kilometer
 - Slab thickness 200-250 mm, HRC thickness 1,45-25 mm
- **Raw materials for 6 mtpa:**
 - Slabs: 6.2 mt (scrap returns to BOF operations)
 - Electricity: 440 m kWh
- **Output:**
 - >50% of HRC mill output is processed into CRC and further down the value chain

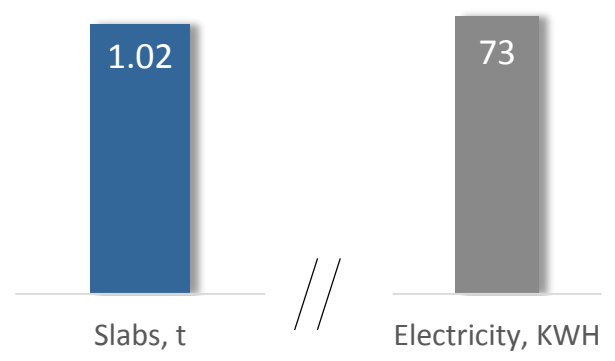


HRC mill output grows 7Ys due to efficiency



Source: NLMK

Generic ratios for 1 t of HRC

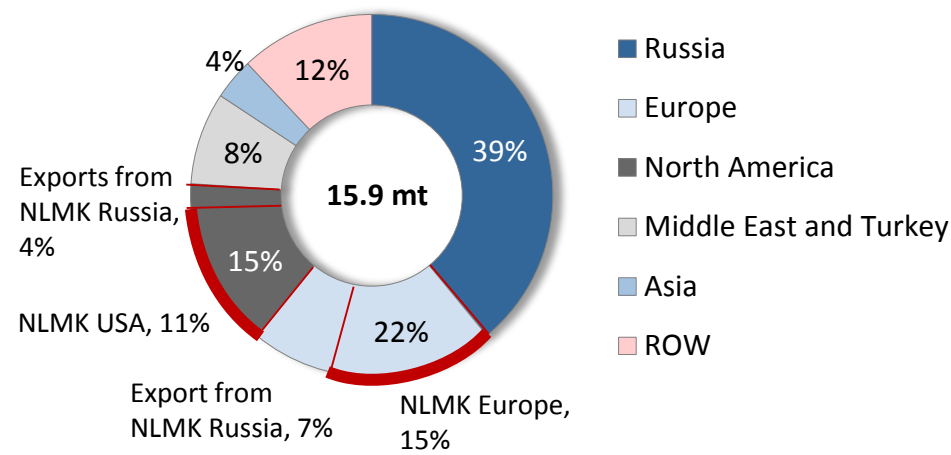


Source: NLMK

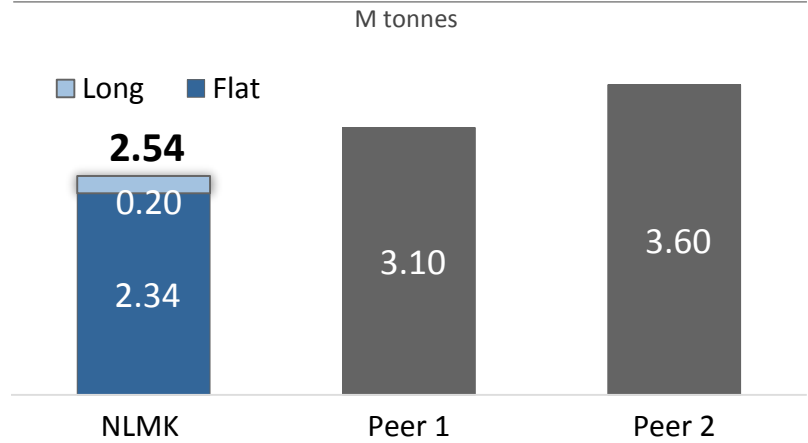
WHERE WE SELL

- Lipetsk operations sell 36% of the output in the local market
- Russian sales represent 69% of the total finished steel output of the plant
- Semis are manly sold to export markets

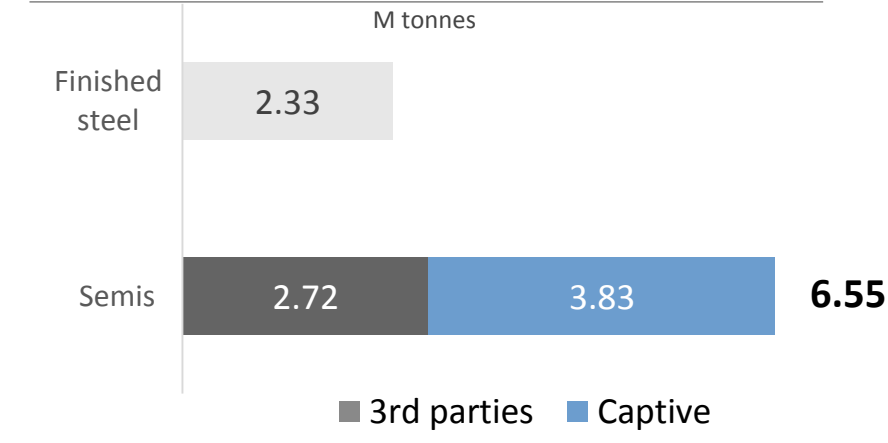
SALES STRUCTURE BY REGIONS (2015)*



EXPORTS OF FINISHED STEEL OF TOP3* (2015)

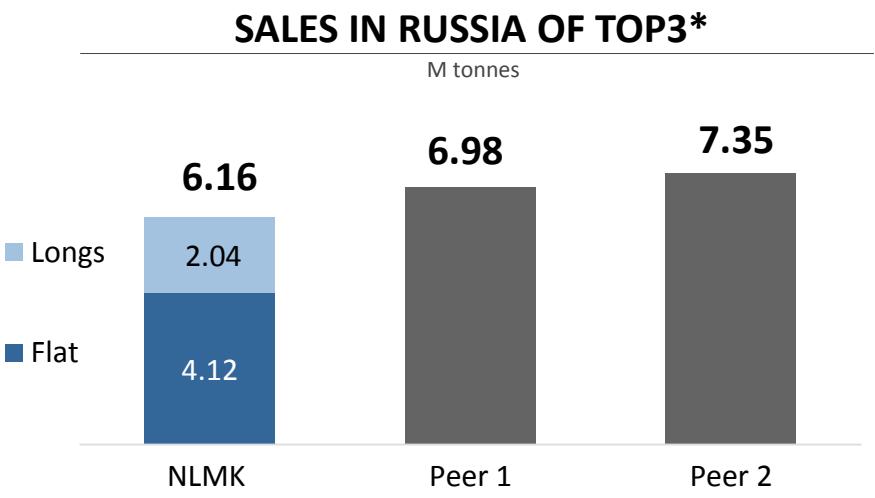


KEY NLMK EXPORTS ITEMS ARE SEMIS (2015)**



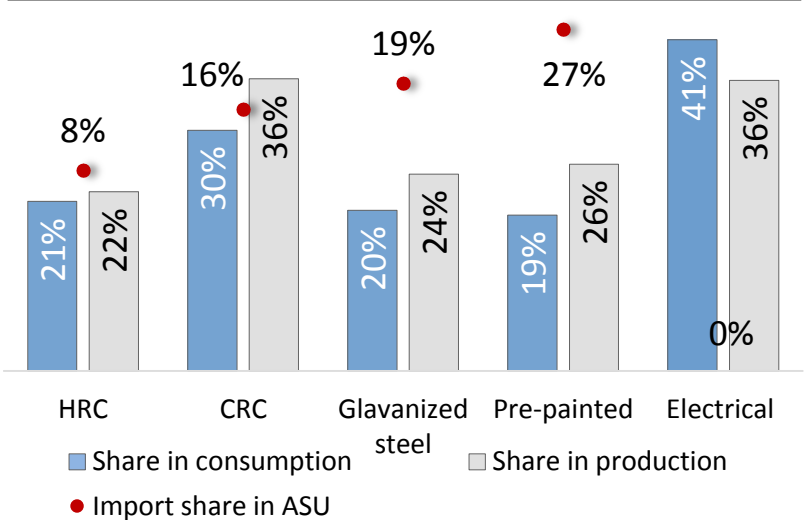
LIPETSK SALES IN RUSSIA & MARKET POSITION

- Lipetsk produces wide range of flat steel products
- The company is one of the largest producers of value added flat steel in Russia
- The largest producer of niche slabs for LDP production
- Sales strategy:
 - Domestically – a supplier of value added products with special qualities and service
 - Exports – low cost and low lead time supplier of commercial grades / semis
 - 2/3 of exports – are slabs to captive operations in EU & US



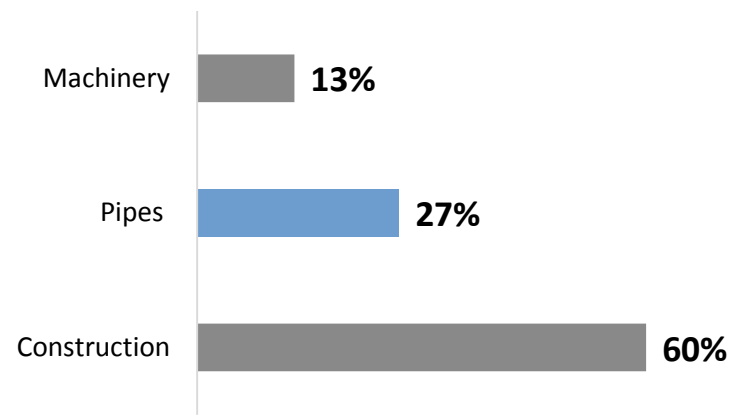
*Group sales
Source: NLMK, Metal Expert

LIPETSK SHARE IN THE RUSSIAN STEEL MARKET



Source: NLMK, Metal Expert

NLMK SALES BY SECTOR IN RUSSIA

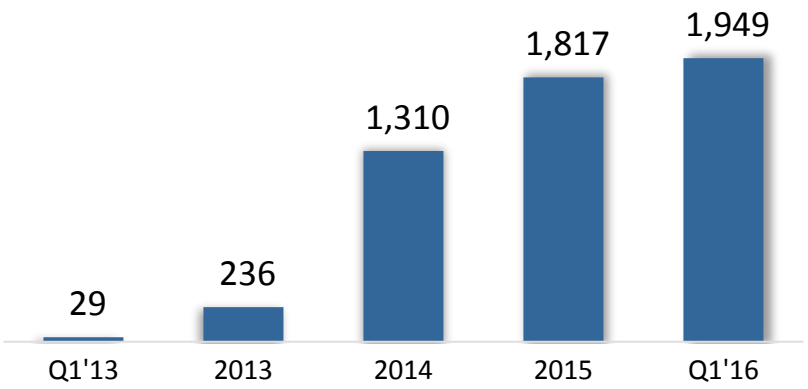


Source: NLMK

STRATEGY 2017: KEY HIGHLIGHTS FOR LIPETSK

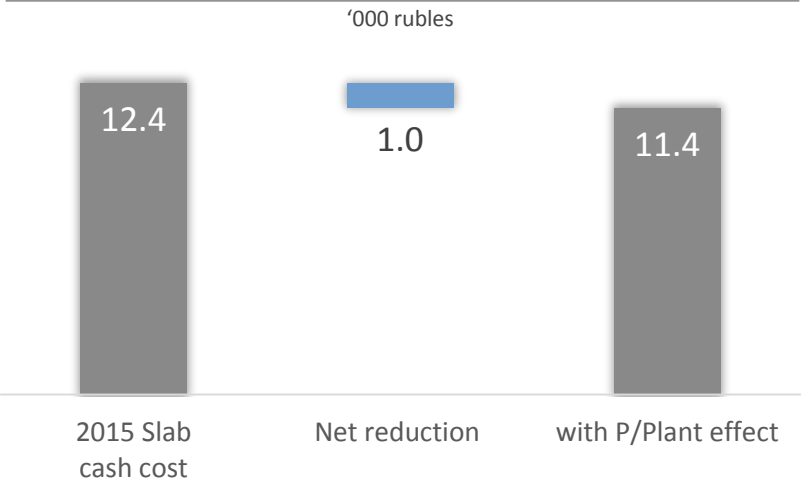
- **\$0 capex projects:**
 - Productivity improvements: +325k tpa of slabs and +124k tpa of hot rolled coil output
 - Lower resource utilization: -24 kg/t of coking coal consumption , -4 kg/t of metalics in charge
 - +113 GW/h (+3.2%) growth of energy generation
- **Investment projects effects start feeding through**
 - Stoilensky development – one of the key projects to drive down costs

GROWING NUMBER OF EFFICIENCY PROJECTS



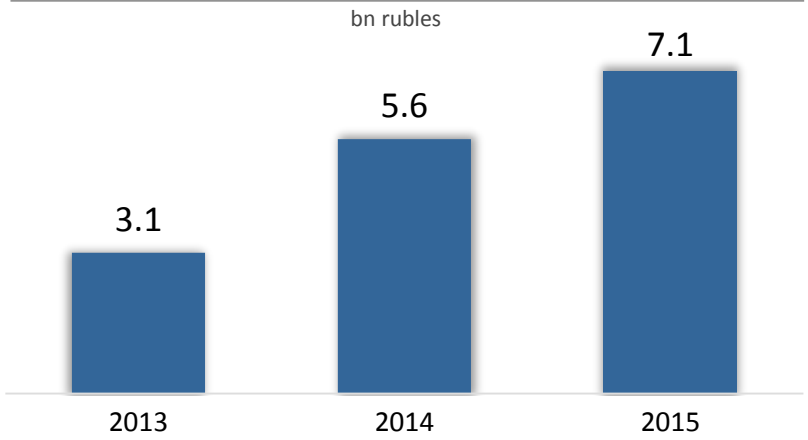
Source: NLMK

PELLET PLANT TO FURTHER REDUCE COSTS



Source: NLMK

CONTRIBUTION TO SAVINGS*



* In 2015 prices
Source: NLMK

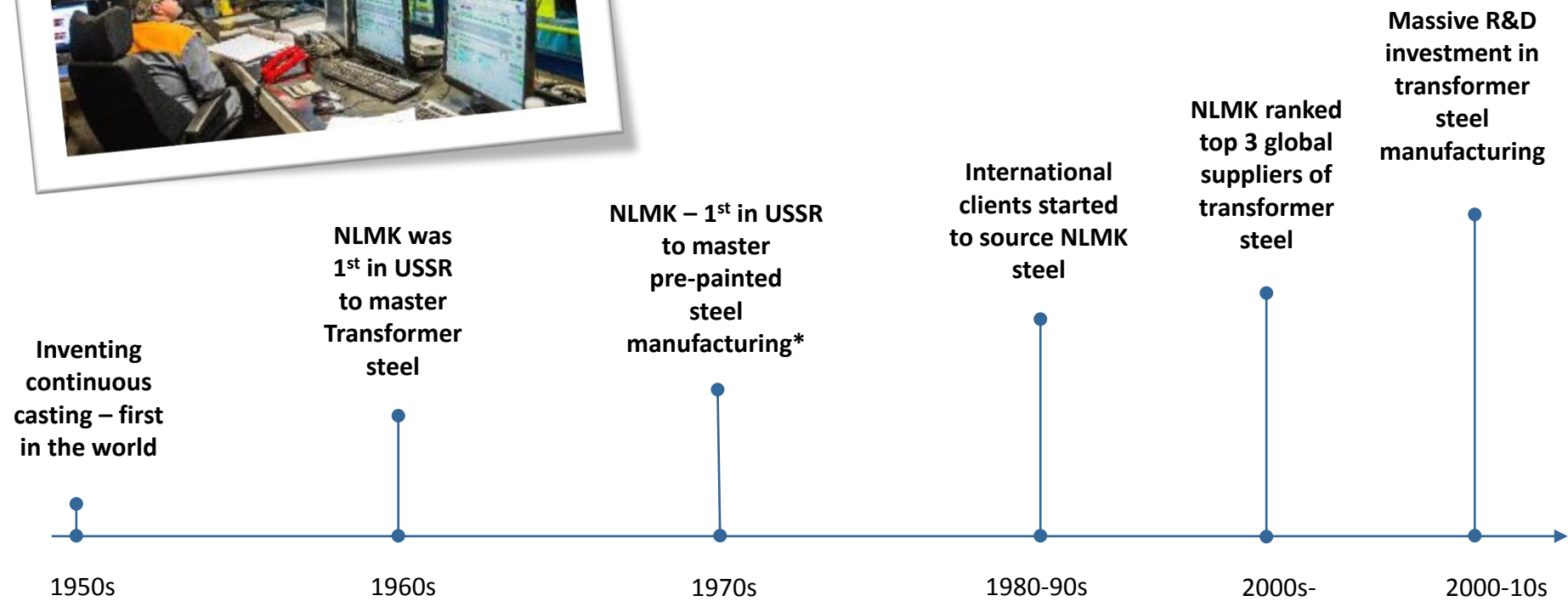
LEADER IN INNOVATION AND R&D



INNOVATION IS IN THE HEART OF NLMK BUSINESS MODEL



R&D: NLMK employs 1,174 researchers and engineers in R&D registering over 200 active patents



Since 1960s NLMK supplies 100% of Russian transformer steel requirements

KEY MILE-STONES



LEADERSHIP IN SUSTAINABILITY AND SAFETY

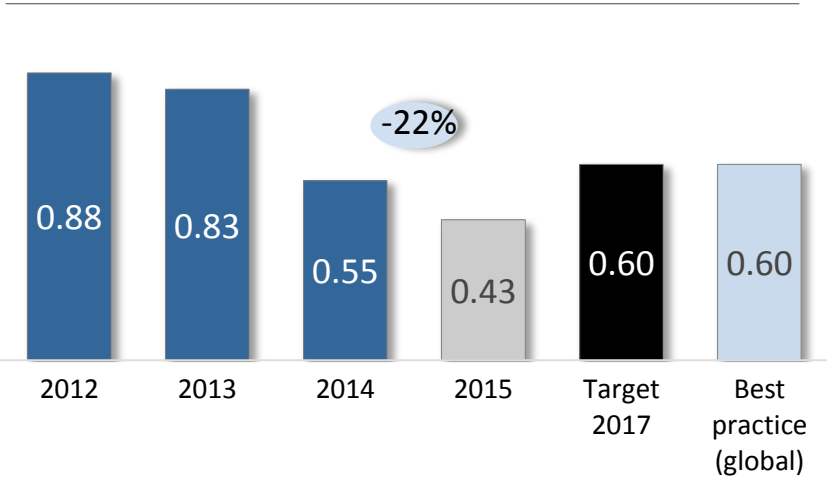
- Relentless focus on safe operating practices

- Russian operations LTIFR* down by 22% yoy (at or better than global best practice level)
- Proactive management of risks to life and health of employees and contractors
- Continued focus on accidents and fatalities prevention
- Improvement of employees' H&S awareness, competence and motivation at all Group facilities

- Further reduction of environmental footprint

- Air emissions at the main integrated plant reduced by 1% while output increased

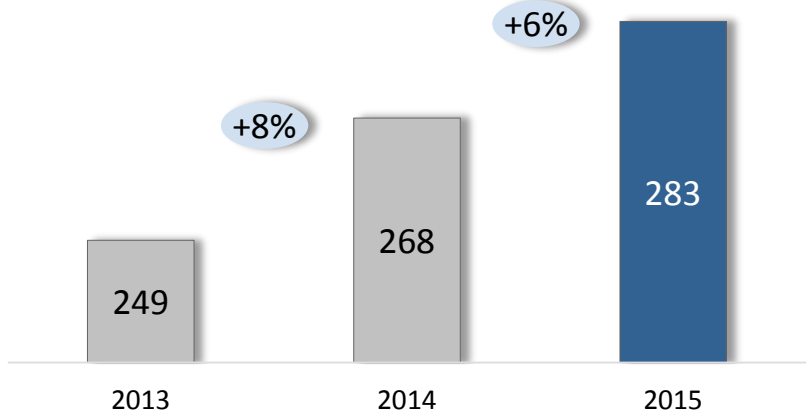
LTIFR*, RUSSIAN ASSETS



Source: NLMK

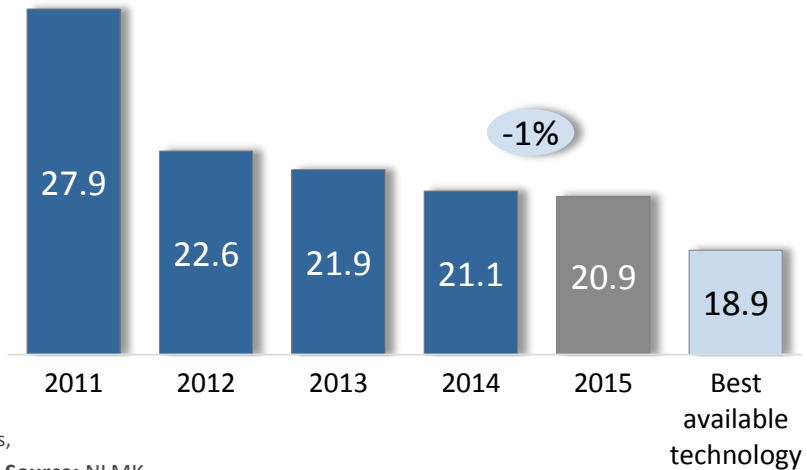
LABOR PRODUCTIVITY**

tonne of steel/employee



AIR EMISSIONS, RUSSIAN ASSETS

Kg/t of steel



Source: NLMK

* LTIFR – Lost Time Injury Frequency Rate (per 1 mln man-hours worked). Russian assets include Russian Flat Products, Russian Long Products, Mining. ** Productivity calculated as steel output divided by the number of employees



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