



# NLMK KALUGA

23 July 2013

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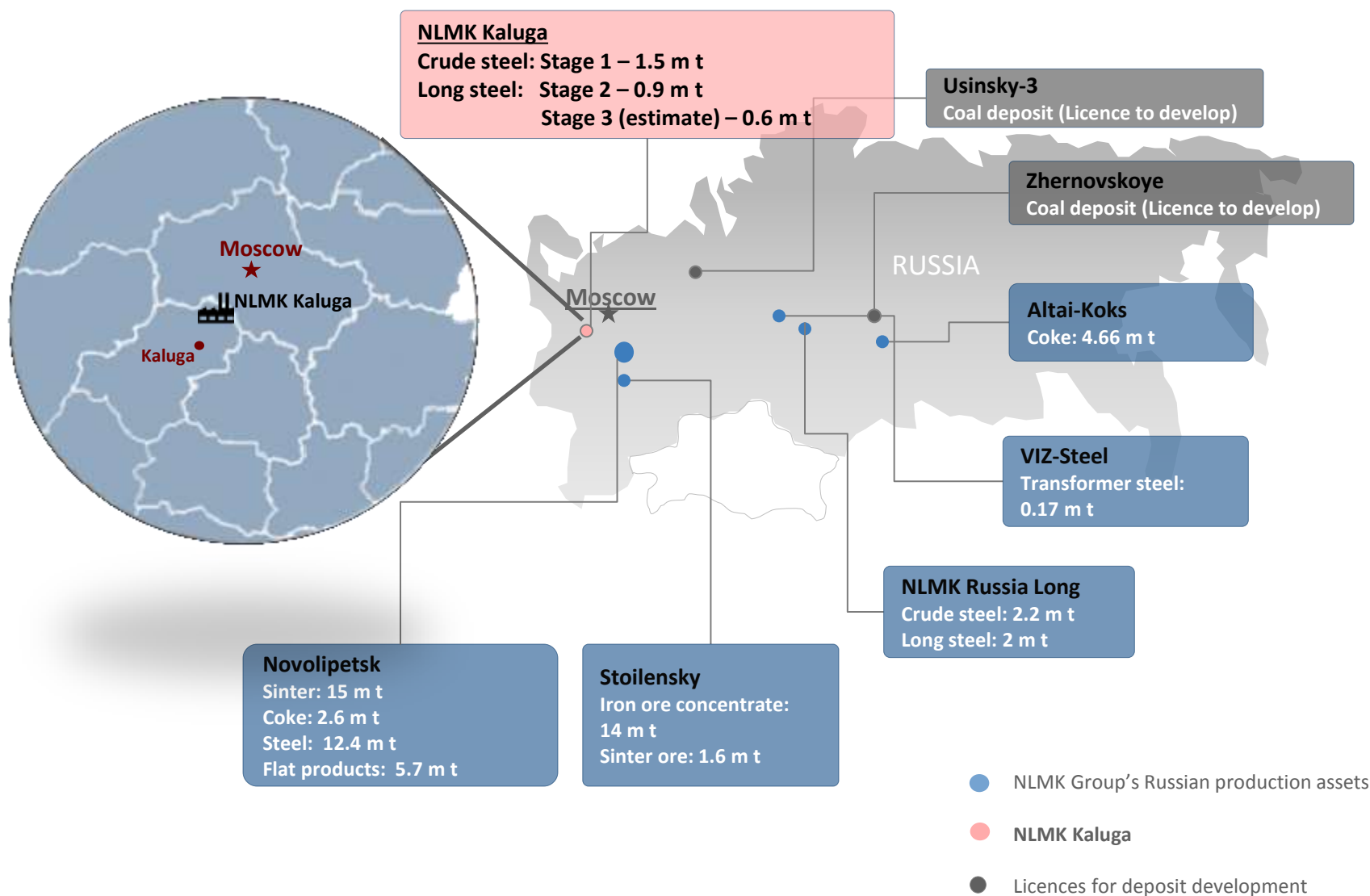
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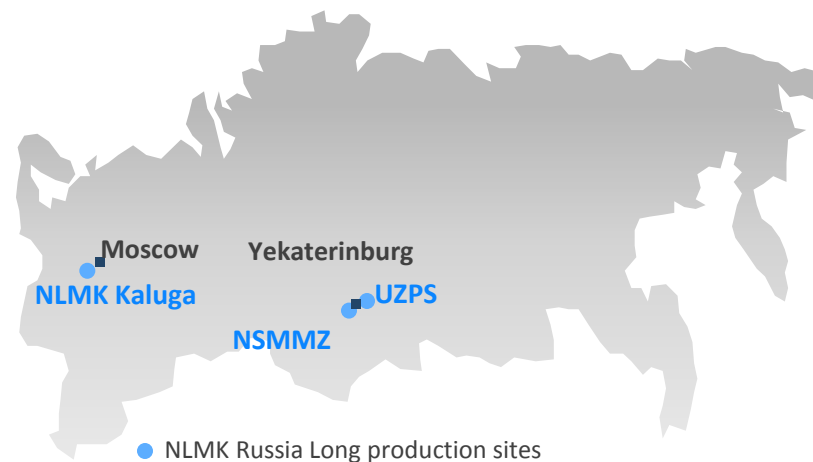
# NLMK GROUP RUSSIAN ASSETS



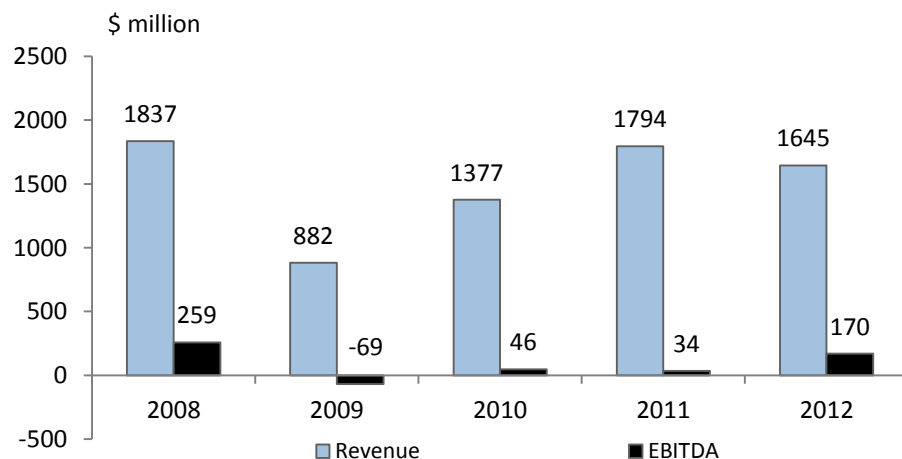
# NLMK RUSSIA LONG DIVISION



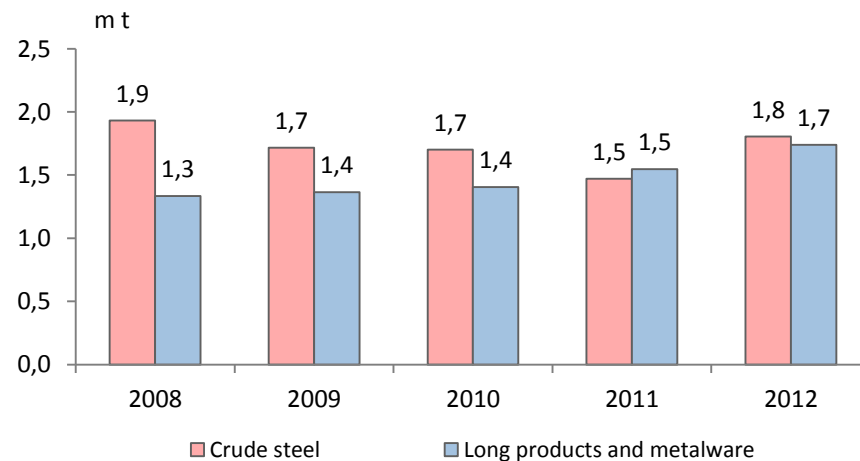
- Part of NLMK Group since December 2007
- Capacities:
  - Steel (EAF) – 3.7 million t
  - Long products – 2.9 million t
  - Scrap – 3.5 million t
- Long product market share in Russia: c. 20%
- Sales regions: over 95% of sales to the Russian market (Ural, Southern, Central Federal Districts)



## NLMK RUSSIA LONG FINANCIAL PERFORMANCE



## CRUDE STEEL AND FINISHED PRODUCT OUTPUT



# STRATEGIC GOALS

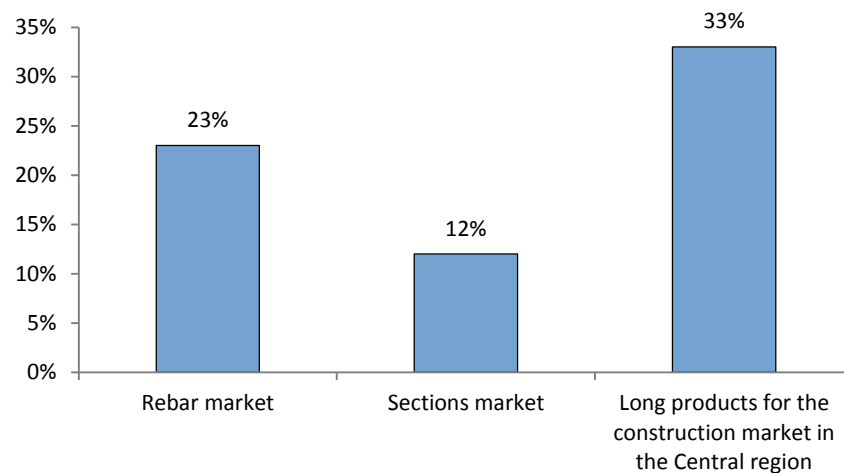
- Strategic priorities

- Develop scrap-collecting facilities to maximize cost-efficient sufficiency in scrap
- Expand market presence
- A flexible sales strategy and improved customer service
- Expand the range of long products and metalware
- Ensuring high efficiency at all stages of the process

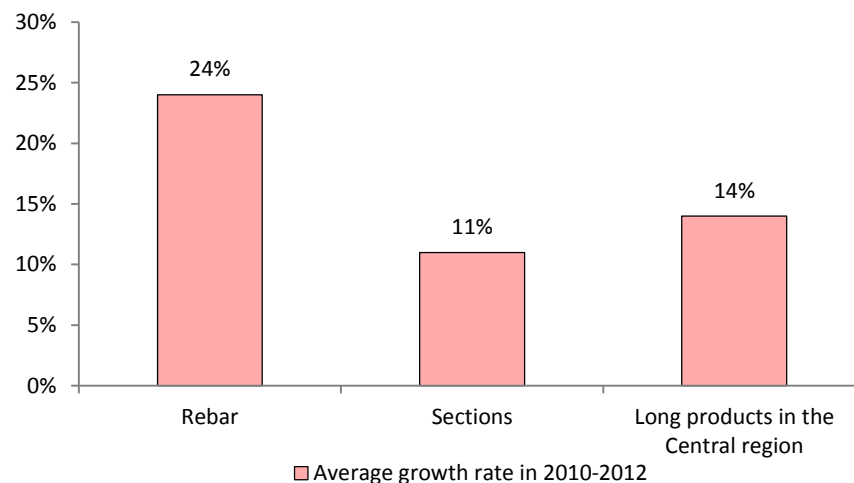
- Market goals after NLMK Kaluga launch

- Increase rebar market share from 17% in 2012 to 23% in 2015
- Enter the sections market
- Around 1/3 of long steel for construction in the Central region of Russia

NLMK RUSSIA LONG MARKET SHARE IN 2015



LONG PRODUCT CONSUMPTION GROWTH RATES IN RUSSIA, 2010-12

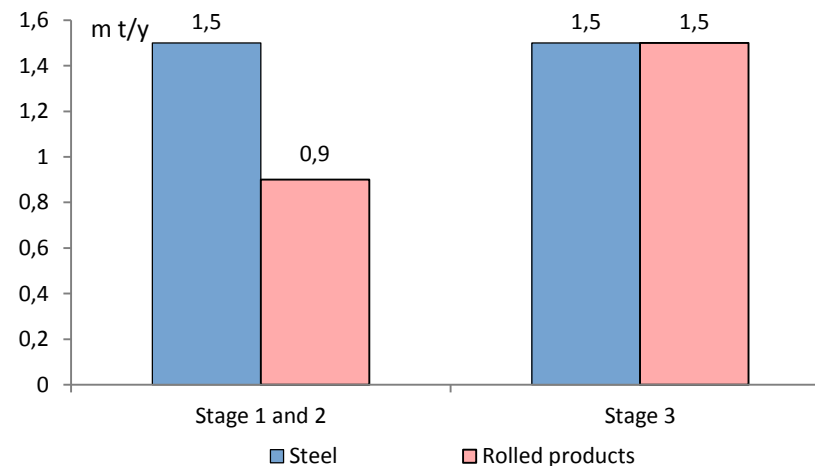


# NLMK KALUGA: COMPANY OVERVIEW

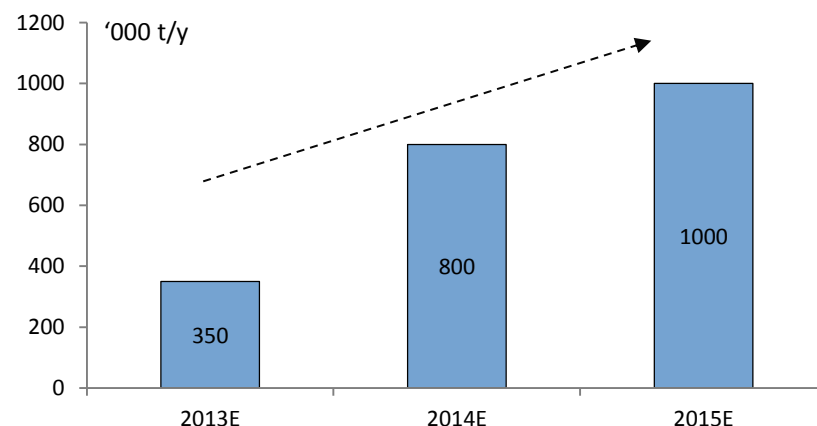


- **Location:** Kaluga region, Borovsky district, Vorsino Industrial Park, c.~70 km away from Moscow
- **Production site area:** 202 ha
- **Capacity:** 1.5 m t/y of steel,  
from 0.9 to 1.5 m t/y\* of long steel
- **Products:** billets and long steel for construction – rebar, channels, angles, I-beams
- **Capex:** RUB 38 billion
- **Logistics:** option to deliver products by rail from the plant's own station – Vorsino – and by trucks
- **Beginning of construction:** 2008
- **In Q3 2013, 100,000 tonnes of steel will be produced**

CRUDE STEEL AND ROLLED STEEL PRODUCTION CAPACITIES AT NLMK KALUGA



FINISHED STEEL PRODUCTION PLAN AT NLMK KALUGA



\* Potential to expand rolling capacity by 600,000 t/y

## The market

- A developed construction sector
- High level of long steel consumption
- Shortage of long steel in the region
- Surplus of scrap collection in the region

## Efficiency

- Low transportation costs
- Developed scrap collection network
- Energy- and resource-saving production

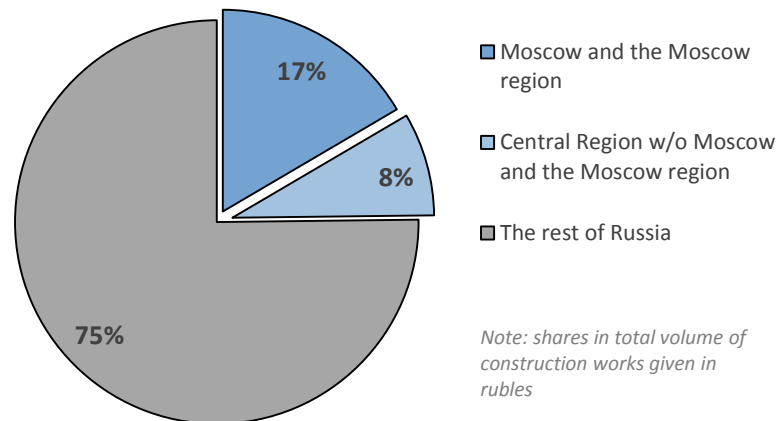
## Products

- An extensive mix of long products in high demand

# CONSTRUCTION SECTOR IN CENTRAL RUSSIA

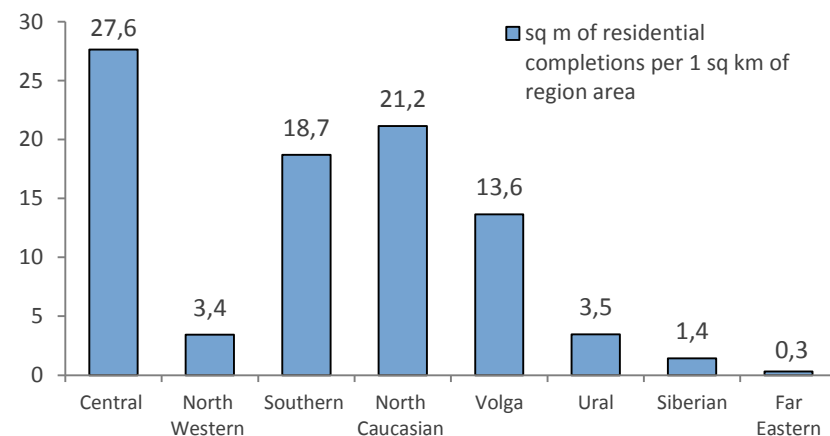
- The Central region of Russia has the highest density of population
  - 59.5 people/km<sup>2</sup>, 7 times higher than the Russian average
- The most developed construction sector across all Russian regions
  - Share in construction activity: 25% in 2012
  - Share in residential completions: 28% in 2012
  - Moscow and the Moscow region account for a significant share
- The construction sector continues to grow
  - In 5M 2013, residential completions in the Central region grew by 26% year-on-year

AMOUNT OF CONSTRUCTION ACTIVITIES IN 2012



Source: Rosstat

REGIONAL SPLIT OF THE RUSSIAN CONSTRUCTION SECTOR, 2012



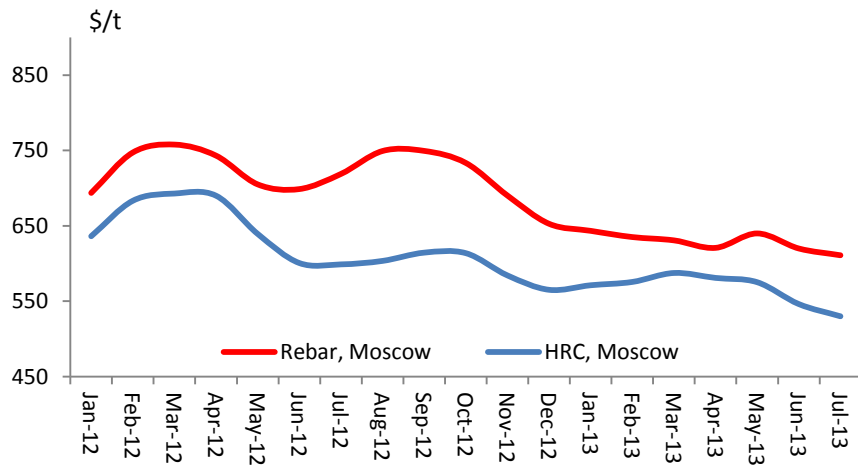
Source: Rosstat



# LONG PRODUCTS MARKET

- Long product consumption exceeds pre-crisis levels
  - Consumption of long steel products used in construction in Russia in 2012 grew by 10% year-on-year to 15.6 m t
  - In 2013, consumption will grow by 7%\*, or by 1.1 m t; NLMK Kaluga's share in the gain will be ~30%.
- Import substitution potential
  - A c.60% increase in rebar import vs H1'12, x3 vs H1'10
- Regional demand/supply imbalance
  - ~3.8 m t/y shortage of long products in the Central region
  - In 2012, long product consumption in the Central region +15.6% (+0.7 m t to 5.2 m t/y)
- Pricing trends
  - Sustainable price premium to flat steel

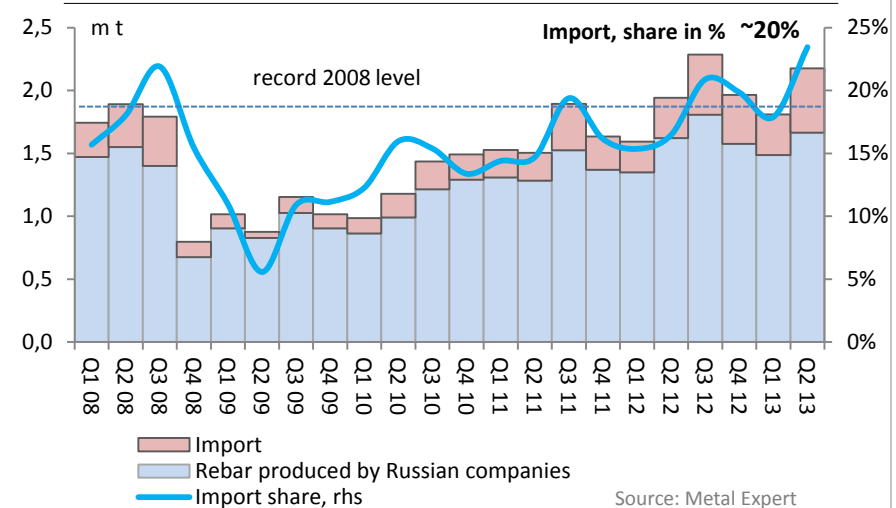
## STEEL PRICES IN THE CENTRAL REGION OF RUSSIA



\* - Company estimates

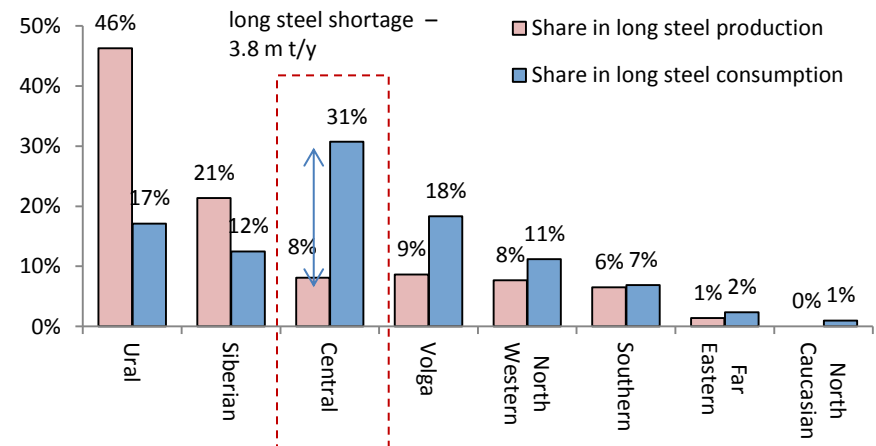
Source: Metal Expert

## REBAR MARKET, CONSUMPTION IN THE RUSSIAN FEDERATION



Source: Metal Expert

## LONG STEEL PRODUCTION/CONSUMPTION BALANCE BY REGION



Source: Metal Expert. Data for 2012.

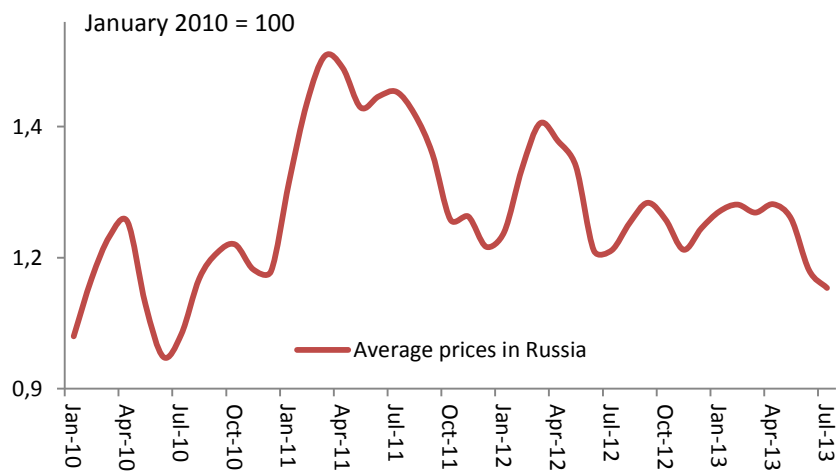
# SCRAP MARKET

- Significant export substitution potential in Russia
  - Export accounts for ~29% (or 5.8 m t/y) of annual scrap processing volumes
- Regional demand/supply imbalance
  - Scrap surplus in the Central Federal District is ~3 m t/y
- Pricing trends
  - High competition at the international scrap market

## SCRAP MARKET BALANCE IN RUSSIA

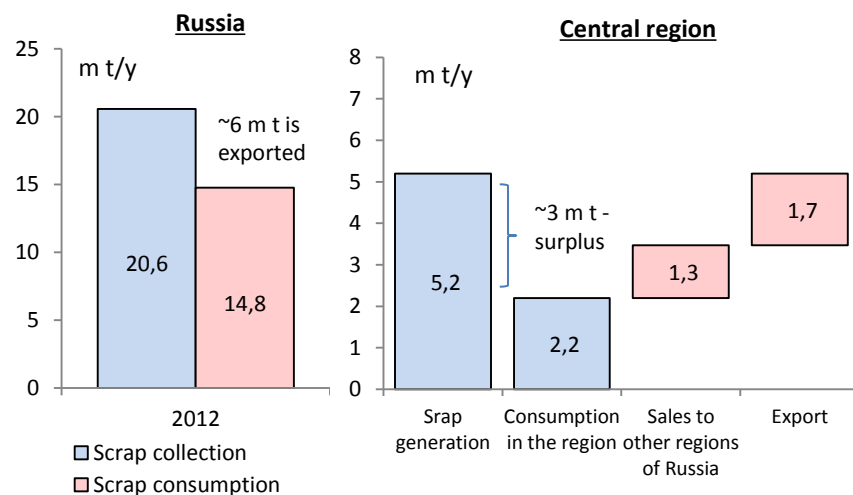


## SCRAP PRICES



Source: Metal Expert, Metal Bulletin

## SCRAP MARKET BALANCE IN RUSSIA AND THE CENTRAL REGION

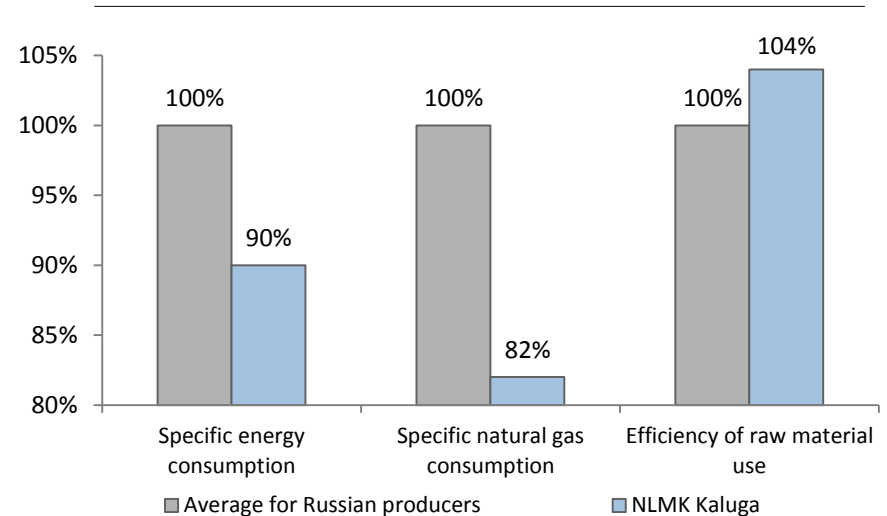


Source: Metal Expert, Russian Railways, NLMK estimates 10

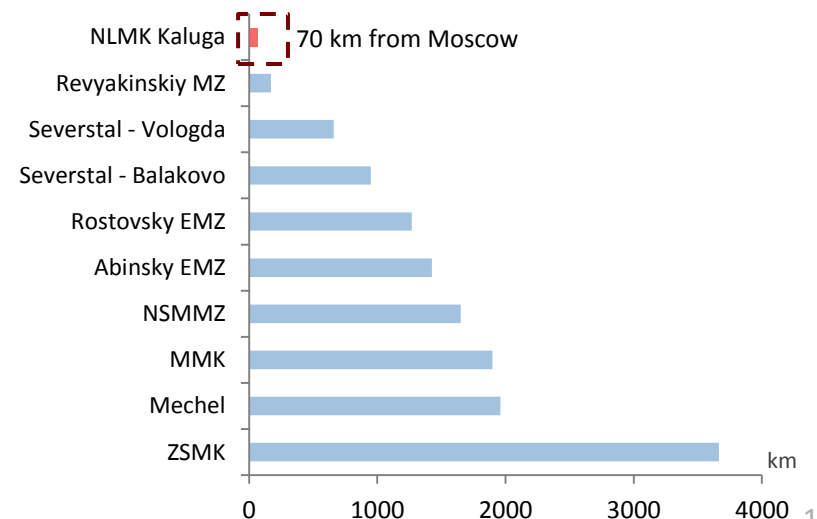
# COST ADVANTAGES

- Low transportation costs for the delivery of raw materials and finished steel
  - Developed captive scrap collection network “Vtorchermet NLMK” in the region
  - In 2013, a new shredder was launched in Podolsk (Moscow region)
  - Located close to key customers
- Efficient resource use
  - Processing of by-products generated at the main operations
  - Use of pig iron and waste metal generated at Novolipetsk as feedstock
  - Advanced technologies and equipment

NLMK KALUGA VS. RUSSIAN PEERS



DISTANCE FROM LONG STEEL PRODUCERS TO THE MOSCOW REGION



# EQUIPMENT AND PRODUCTS

- Equipment suppliers
  - Steelmaking - Siemens VAI
  - Long product rolling - SMS Meer
- Universal high performance continuous rolling mill
  - Ability to roll rebar at high speed and produce small and medium sections at a single line
- In 2013-2014, NLMK Kaluga is planning to master over 30 product types:
  - Billet 100x100, 125x125, 150x150, 160x160
  - Rebar #10-40
  - Angle #25-100
  - Channel #5-12
  - I-beam #8, #10



Rebar		Sections		
A240 bars	A500S bars in compliance with GOST 52544	Angles	Channels	I-beam
#10	#10	L25	SH5	#8
#12	#12	L32	SH6,5	#10
#14	#14	L35	SH8	
#16	#16	L40	SH10	
	#18	L45	SH12	
	#20	L50		
	#22	L63		
	#25	L70		
		L75		
		L80		
		L90		
		L100		

- to be mastered in 2013
  - to be mastered in 2014

- **Air protection**
  - Modern dust and gas cleaning systems with efficiency of at least 99%
  - Emissions less than 1kg per tonne of steel (almost 7 times lower than for its Russian peers)
- **Water protection**
  - Closed water supply system
  - Low level of natural water consumption due to cleaning
- **Waste processing**
- **New jobs**
  - 1,250 at the plant and 600 at the service companies
- **Investments into personnel development**
  - About RUB 55 million into personnel training
  - Additional study programmes to train qualified professionals at regional learning establishments
- **Regional development**
  - Construction of new apartment buildings for employees

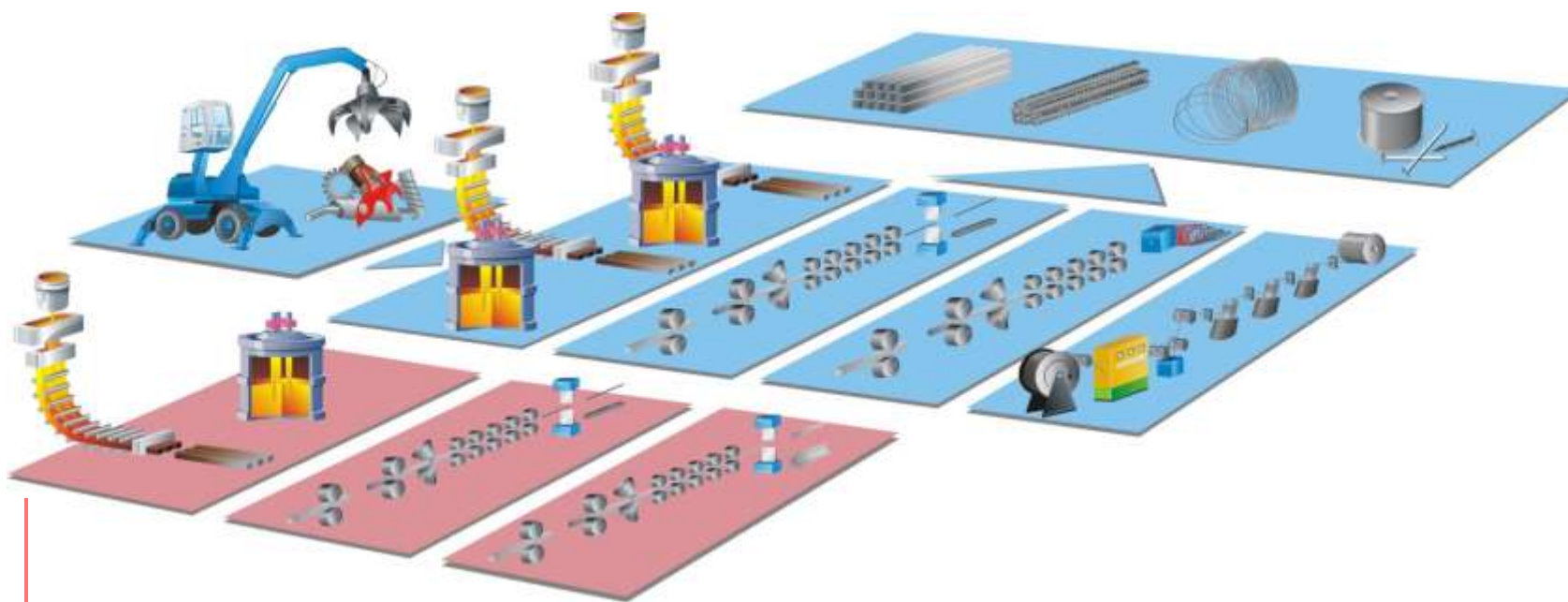


# THANK YOU!



# **APPENDIX**





## NLMK KALUGA

- EAF steelmaking capacities  
**1.5 m t/y**
- Long product capacities  
**0.9 – 1.5 m t/y**

## NLMK RUSSIA LONG OPERATING CAPACITIES

- Captive scrap processing  
**3.5 m t/y**
- EAF steelmaking  
**2.2 m t/y**
- Long products (Nizhniye Sergi)  
**1 m t/y**
- Long products (Berezovsky)  
**1 m t/y**
- Metalware (Berezovsky)  
**0.56 m t/y**