

Strategic overview

Our core strategy in the current environment remained unchanged as it proved its resilience to the challenges posed by the recent developments in the industry and continues to bring value to the Company.

Vision

We are committed to strengthening our leadership position in terms of profitability, product quality and technological advancement in the steel industry.

Mission

Our mission is to be the preferred supplier of steel products to our core customer base and to be among the most profitable steel producers in the world, enjoying sustainable level of revenues and profits.

Strategic Goals

We plan to pursue the following strategic goals:

- To be among the world's most profitable and growing steel companies. We are committed to a 'profit before tonnes' approach
- To strengthen our market leadership and expand our product range in value-added flat steel products in our core markets
- To become a leading player in the domestic market for long steel products applicable for construction purposes through the mini-mill business model
- To utilise our key competitive advantage in low cost production of crude steel to increase output of finished products at downstream facilities worldwide
- To pursue external growth initiatives through enhanced vertical integration, balancing and strategic acquisitions
- To maintain and enhance good corporate governance, social and environmental standards.

Strategic initiatives

We intend to pursue the following key strategic initiatives:

To further implement our Upgrading Program for our operations in Russia. The key strategic goals of the Technical Upgrading Program are as follows:

- To further increase crude steel production capacities on the low cost Russian production platform focusing on improvement of steel quality and enhanced production efficiency
- To continue the development of value-added product portfolio and maintain our leadership in transformer electrical steel
- To ensure continuity of supply of low cost, high quality raw materials through increased self-sufficiency
- To pursue further efficiency gains through increased energy self-sufficiency and modern technologies

Maintaining a high level of vertical integration:

- To hedge against supply side constraints and raw material price fluctuations
- To focus our vertical integration strategy on securing supplies of low cost raw materials

To be one of the largest suppliers of long products to the domestic market

- To develop EAF-based steel and finished products capacities to supply local demand for the construction long steel products
- To maintain low production costs by using own scrap collection, lean overheads and lower energy costs

To develop the international structure of the Company through Joint Ventures with Duferco and the Company's overseas assets – DanSteel and Beta Steel – and possible future acquisitions to increase the proportion of semi-finished products transformed into value-added products by companies under our control

Our approach to M&A opportunities is based on three major pillars:

- The acquisitions should bring substantial synergy benefits
- The focus is on the Company's core markets
- Each opportunity should be assessed individually within the context of the overall long-term development strategy

Building up an efficient management structure:

- To ensure high quality and transparency of the decision-making process
- To enhance management accountability to shareholders

To enhance standards for employees, and to continue our social and environmental improvements

- To improve health and safety at work
- To maintain responsible citizenship in all the regions of NLMK's presence
- To reduce the Company's impact on the environment