

NLMK GROUP

Corporate Magazine

2, April 2013

Feature Story: Business Process Improvement Program

Executive Opinion

Exclusive interview
with Grigory Fedorishin,
CFO

6

Thoughts Aloud

Paul Fiore, President &
COO of NLMK USA

14

The Environment

NLMK Indiana: protecting
the Great Lakes

22

NLMK GROUP

Corporate Magazine
No. 2, April 2013

Founder and Publisher: NLMK

Address: 2, Ploshchad Metallurgov, Lipetsk 398040

E-mail: magazine@nlmk.com

Senior Editor: Alexander Sutormin

Editor-in-Chief: Yulia Taranova

Contributors: Sergey Filatov, Svetlana
Burmistrova, Bert Passalacqua, Olga Valitova

Editorial address: 2, Ploshchad Metallurgov,
Lipetsk 398040

English Edition prepared by:

Alexander Tseitline, Polina Minor, Eclectic
Translations

Design & Layout:

Dexpress

6a, 4ya Vosmogo Marta st., Moscow, 125167 Russia
Tel.: (495) 787 5226

Contributing Photographers:

Dmirty Surkov, Robert Kolykhalov, Photoexpress

Infographics:

Infographics Magazine

Illustrations:

Igor Ermolaev

Distributed for free

When reprinting articles reference to the
publication is mandatory

IN THIS ISSUE:

Economics and Production

Global Steelmaking

2

The US steel market: an encouraging outlook?

Global Steelmaking

6

Interview with Grigory Fedorishin, Vice President for
Finance

Thoughts Aloud

14

Paul Fiore, President & COO of NLMK USA

Feature Story

17

Business Process Improvement Program

Infographics

20

At a Glance

A healthy awakening

Social Responsibility

22

The Environment

NLMK Indiana: protecting the Great Lakes

Company Personalities

26

In good health

Panorama

28

Travel

There's more to France than Paris!

9 May

32

A flame lit by a steelmaker

Follow us online!



www.nlmk.com



https://twitter.com/NLMK_IR



<http://www.slideshare.net/NLMK>



6

First Person

**EXCLUSIVE INTERVIEW WITH GRIGORY FEDORISHIN,
VICE PRESIDENT FOR FINANCE**



14

Thoughts Aloud

**PAUL FIORE, PRESIDENT &
COO OF NLMK USA**



28

Travel

**THERE'S MORE TO FRANCE
THAN PARIS!**



32

Featured Photo

A FLAME LIT BY A STEELMAKER

THE US STEEL MARKET: AN ENCOURAGING OUTLOOK?

The world economic crisis has affected all markets, without exception. Europe's debt problems and the slowdown in the Chinese economy have impacted the demand for steel, which has not had time to recover from the 2008 crisis. As one of the largest markets

for steel, the US has clearly demonstrated the effects of a slump in demand and prices within the industry.

The Q4 2012 and Q1 2013 financial statements published by American steel companies, including ArcelorMittal, US Steel Corp., Nucor Corporation, AK Steel and Severstal, are not encouraging. Declining company revenue is a reflection of falling steel prices and sales volumes. All producers have suffered from weak demand for steel, oversupply in the sector in the US, and increased imports. In addition, the state of the world economy leaves much to be desired. The global economic crisis provoked a worldwide drop in demand for steel at the end of 2008.

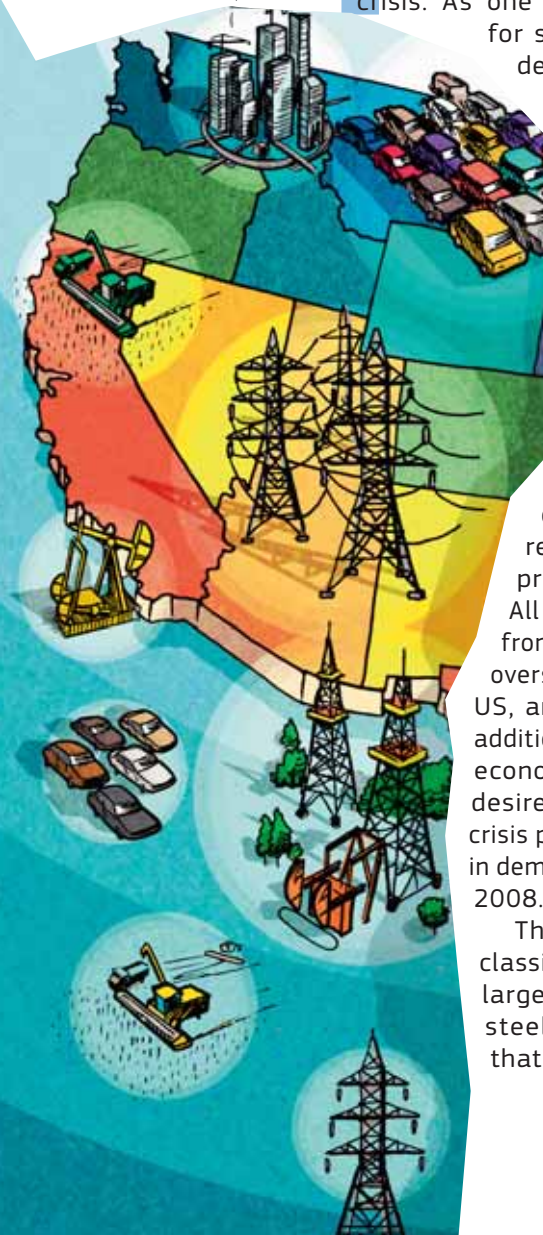
This has resulted in the classic situation where supply largely exceeds demand. The steel production capacity that has been built up has

produced a situation of chronic underutilization within the industry. Regional capacity utilization varies from 60–70% up to 80% depending on the region. According to experts, worldwide steel production capacity amounts to 2.1 billion tonnes, but actual consumption of steel is 1.45 billion tonnes. In other words, excess capacity is about 600 million tonnes per year.

There is clearly no quick fix for this problem, and the industry has an experience in passing through a fairly painful phase of capacity reduction. Under such conditions, companies that have lower costs will be more successful, whether as a consequence of efficient production, access to an internal source of cheap raw materials or a combination of these factors, as is the case with NLMK. Direct access to the consumer, the availability of high-quality products and excellent customer service are also important factors.

LOW RATINGS

Since the beginning of 2012, the American steel market has been experiencing some difficulties related to the general instability in the global demand for steel products, says Boris Krasnozhenov, Senior Steel Industry Analyst at Renaissance Capital. In his opinion, market problems have been caused, first of all, by the unstable situation in a number of developed and developing countries, including China, one of the main consumers of steel products during the past year. Even a 'soft landing' of the Chinese



economy, envisioning a slowdown in GDP growth of about 1.5–2 percentage points per year, could bring about serious changes to the balance of demand on the global steel market. The United States, as one of the main producers of steel products, had to take these developments into account.

At the end of September last year, Moody's downgraded its rating of the US steel industry from stable to negative. The agency based its conclusions on the weakness of demand for steel and the risk of increased imports. According to Moody's, Europe's sovereign debt, the banking crisis and slower GDP growth in China will continue to put pressure on the level of consumption, which will lead to a deterioration of business conditions in the industry over the next year to year and a half.

The agency could revise its outlook to stable if the business activity index remains above 50 for at least two straight months with a capacity utilization level of 75–80%. The conditions needed for the assignment of a positive outlook for the industry entail an index indicator above 55 and capacity utilization of more than 80%.

In March and April 2013, the US PMI manufacturing index was 51.3 and 50.7, respectively, which indicates that business activity grew in the economy.

WHAT ANALYSTS ARE TALKING ABOUT

Nevertheless, in the long-term, analysts are optimistic. Experts see signs of improvement in the demand for steel in the oil and gas sector, the construction industry, machine building and the automotive industry against a backdrop of gradual recovery in business activity.

According to a report by analysts at the SBI Energy agency, the US steel market will begin to grow from 2015. The effect of the government economic stimulus package in such industries as construction, automobile manufacturing and machine building will begin to be felt between 2015–2022, analysts say. That is when, according to their expectations, the average annual growth rate of the steel industry in the US will reach 3.6%.

According to a World Steel Association forecast, consumption in the US is expected to increase this year by 5.6% (as it did last year) and to bring the industry to almost pre-crisis levels (92% of the level recorded in 2007, or about 100 million tonnes).

Standard & Poor's is also forecasting an increase in US steel demand due to gradual stabilization and economic growth in the country, and particularly as a result of the increase in consumption in sectors such as automobile, equipment, and appliance manufacturing. In addition, there is increased demand for steel products in the US oil and gas industry.

Analysts generally agree with S&P's assessments as they relate to growth in the consumption of steel products in industries such as automobile construction, aviation, and



the energy sector, including oil and gas. A recently released forecast for the development of the US steel industry extending to 2015 states

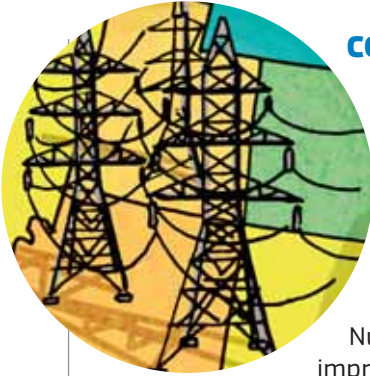
that the sector's recovery in the US began back in 2011. It was at that time that the production and consumption of steel began to increase following the difficulties of 2008 and 2009, when there was a wholesale reduction in demand for metals not only in the US, but around the world. Due to the fact that sectors such as construction, machine building and the automotive industry are beginning to experience slow but sure rises in demand, the consumption of steel in these sectors will also gradually increase.

Analysts at Credit Suisse raised their target prices and evaluations for US steelmakers on the basis of expectations that fiscal problems in the American economy would be resolved and against a background of growing demand in the US and economic recovery in China.

According to the analysts, this year investors may be surprised by the recovery in the US commercial real estate segment and by moderate commodity prices, which are lower than last year's.



The US steel market will begin to grow from 2015



COMPANY FORECASTS

The companies themselves are much more cautious in their forecasts. In construction, the largest US steelmaker by market capitalization, Nucor Corp., predicts a slight improvement, but it views the industry as a whole as weak. Nucor Corp. is placing most of its hopes on automotive and equipment manufacturing and the energy industry. The company has a rather pessimistic forecast for Q1 2013: it expects financial results to be lower than in the previous quarter, and sees a risk that the high level of imports, the volatility in commodity prices and the general uncertainty in the economy may aggravate the picture even further.

The American Institute of Architects predicts a 5% increase in spending on non-residential construction in 2013, primarily due to the construction of hotels and industrial facilities.

Housing is also showing signs of recovery: the numbers of new residential constructions and building permits are at a four-year high amid record low mortgage rates, rising rents and decreases in the cost of housing. In January, the number of new residential constructions soared by 24% compared to the same period last year, while the number of issued building permits increased by 35%.

Steel Dynamics, another leading US steel company, reduced its production capacity utilization in 2012 due to deteriorating market conditions, but this year it expects a slight increase in demand from the automotive and construction sectors.

The company has more confidence about the long term. According to the CEO of Steel Dynamics, steel demand in the future will be supported by a return of manufacturing activity to the country. The low cost of natural gas in the US (thanks to the shale gas revolution) as well as the strengthening

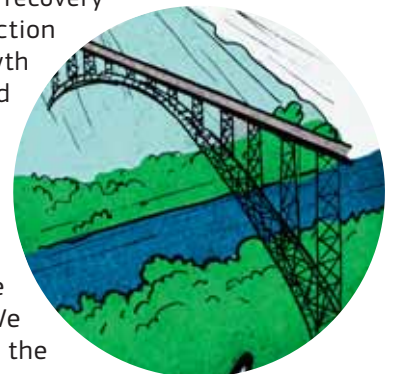
of foreign currencies against the dollar could make the US market more attractive for producers. All these factors may provide the necessary conditions for growth in the demand for steel.

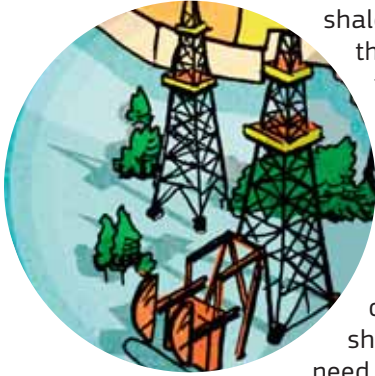
OUTLOOK

In general, experts are quite positive about the outlook for steel demand in the United States. There are various reasons for this, and first among them is a gradual regionalization of the demand for steel. The imbalance in the cost of production between different regions, like the one we saw ten years ago, has now almost disappeared (the cost curve for steel is becoming flatter): commodity prices have declined and the price spread for other costs, including energy, natural gas, human resources, and so on, has also declined. Thus, the production of and demand for steel is being localized, meaning that steel is produced where it is consumed. We are now observing this trend in the US. Take, for example, NLMK's

American plant. Last year the company set a new record for the production of steel.

The steelmakers' ability to ensure that steel is 'made to order' in the shortest possible time frames, while taking into consideration the needs of individual consumers, is becoming of utmost importance. Customers have to wait a long time for the delivery of foreign material and are not always satisfied with the quality, while oftentimes, order sizes must be large. In light of these factors, consumers are switching to local producers. And this trend is not only confined to the steel industry. US companies no longer view the outsourcing of production to cheaper countries as a long-term strategy. Many are beginning to focus their production on local companies in their home country. This leads to rising employment, and it facilitates the recovery of industrial production and the related growth of investment in fixed capital, including in machinery, equipment and buildings, which account for the lion's share of the demand for steel. We should also mention the





shale revolution in the US: the price of natural gas in the States is now even cheaper than in Russia. Shale extraction results in lower costs for companies and enables the excess to be exported to other countries. To support the shale industry, there is a need to create infrastructure practically from scratch, which means that demand for steel pipes and structural steel will increase. However, this recovery is long-term in nature, and in the short term the country's economy will have to cope with a number of problems, especially debt. For the moment, the pace of growth in US consumption of steel is not as rapid as before the crisis: it is only 6–7% as compared to 15–16% previously. But, according to Boris Krasnozhenov, the recovery of demand for the products of the above-mentioned sectors has already begun, and therefore the rate of production should also grow. ■



by Svetlana Burmistrova, Metals & Mining sector columnist for Interfax news agency
Illustrated by Igor Ermolaev

JAMES BANKER, NLMK USA EXECUTIVE VICE- PRESIDENT, COMMERCIAL:

In 2012, NLMK USA output increased by 4% to 1.8 million tonnes*. NLMK Indiana set an all-time record of 726,000 tonnes, +19% year-on-year. HRC output grew 18% to 1.0 million tonnes.

What was driving such outstanding performance? Over the last few years, NLMK USA has been consistently implementing measures aimed at boosting operational efficiency, expanding its presence in the growing high carbon steel and OCTG product markets. One of the key drivers for successful operating performance is a guaranteed uninterrupted supply of slabs, including from the Group's Lipetsk site. This allows the growing volatility of prices for key raw materials to be smoothed out, and means that profit can be generated even against a backdrop of unstable demand in the steel market. Having become part of NLMK, the rolling assets acquired in 2011 – NLMK Pennsylvania and Sharon Coating – are working on increasing their level of integration with other companies within the Group. In 2012, NLMK Pennsylvania significantly increased the volume of slabs supplied by NLMK, consuming 0.8 million tonnes of slabs manufactured at the Group's main production site, a four-fold increase year-on-year (0.2 million tonnes in 2011). ■

* Metric tonnes.





EFFICIENCY CAN'T BE MANAGED JUST ONCE A YEAR

BY YULIA TARANOVA

*NLMK Group's new Vice President for Finance, **Grigory Fedorishin**, talks about key performance indicators and the Group's conservative financial policy, and names a thirst for development as a chief quality in his ideal employee*

The appointment of a new Vice President for Finance caused a stir beyond just the Finance Department – talk of the impending changes spread throughout the whole company. We decided to find out first hand how much of this talk was just rumor and how much was true.

Mr. Fedorishin, how do you feel about your new appointment? Did it come as a surprise?

The role is certainly a big responsibility, yet it makes sense both functionally and from the company's point of view. I have been with NLMK since 2003. Even when I was at PricewaterhouseCoopers, I managed NLMK's audit. I took part in the Group's IPO, in its M&A transactions and, later, in its management restructuring. While at the investment firm, I also worked on the Group's projects. Although for the past three years I have been involved mainly in investment projects and strategy development, I am a financier by education and profession and so this represents a logical return to finance.

As I understand it, the strategic role has been separate from the financial one in the past but now, thanks to you, the two will be linked?

Yes, though in actual fact the connection was there before. In my capacity as a member of

the Investment Committee, I managed the implementation of projects developed by the strategy department. I believe that this is a very strong link. And this is one of my strengths: I have

“ **The idea is to move forward – how that happens is up to the individual** ”

a clear view of the company's plans and goals for the next 5–7 years, and I can bring these plans and goals about through financial policy.

On the subject of the Group's strategy, what will change and what will remain the same?

We will retain and improve the Group's competitive edge. Any changes will be related to the company's transition to a fundamentally different phase in its development. While we previously experienced rapid growth and invested heavily in expanding our capacity, now the focus will be on efficiency.

That is, we will compete not through growth but through...

“ *It's not enough to develop a strategy and then simply be confident of its success. We must explain to the market what the advantages of the strategy are*

The optimization of business processes, people management, and the search for reserve potential. This requires less investment, since we are using existing assets. We therefore have the opportunity to maintain our conservative financial policy while at the same time resolving the strategic challenges we face.

What do you consider to be your main task in your new position?

For me the key thing is efficient growth – that is, growth, but not at any price. The market values the company that combines efficient growth with financial caution because it avoids abrupt, irrational action. My task is to retain this advantage.

What else will you be focusing on?

Another priority will be management by objectives. This means that each employee, in reaching his or her objectives, will help the company to achieve its objectives; and, vice versa, the company's objectives are scaled out to each department and each employee. We have developed a system of strategic goals for the Group. This system breaks down the goals for each separate division and site, then for senior management, middle management, and so on and so forth.

And all of this is superimposed on the system of performance indicators, which everyone is now talking about?

The indicators are simply a way of quantitatively measuring these goals. For instance, strategy is always expressed in words. Let's say that our goal is to increase efficiency. But what does increasing efficiency mean without some sort of quantitative measure? It doesn't mean anything. There must be specific goals for specific sites: where exactly and to what degree do we want to increase efficiency?

You mean that if every person achieves his or her goals, the net effect would be to increase the value of the company?

Yes, this is exactly how it works. Of course, each level has its own frame of reference and the extent to which employees have an influence on results also varies. The main thing here is to preserve a reasonable balance between the goals of employees and the company's goals.

Historically speaking, who creates the most value?

I think that each employee creates value at his or her own level. The system only makes sense if it is universal. If it remains just at the very top, then we won't achieve our goals.

What other changes will we see, besides the introduction of a new management system?

We will increase the transparency of our financial operations, both for the external market and within the company itself.

What exactly does 'transparency of operations' entail?

Financial operations cannot exist solely within the company, without any link to the outside world. The market assesses our value and that assessment depends, in part, on how we keep it informed of our plans. It's not enough to develop a strategy and then simply be confident of its success. We must explain to the market what the advantages of the strategy are. We must provide a lot of information about ourselves – and I don't mean simply cold hard data – we have to explain, show, analyze, and go out to the market. At the same time, there is a huge need for information within the company. People need numbers and analytics in order to understand their own business processes.

For example?

Managerial reporting and the performance indicators I mentioned earlier. People will be able to look these up in the system 'to get a temperature reading,' as it were. This is another of our aims – to provide people with such a tool. We won't be able

Source: McKinsey



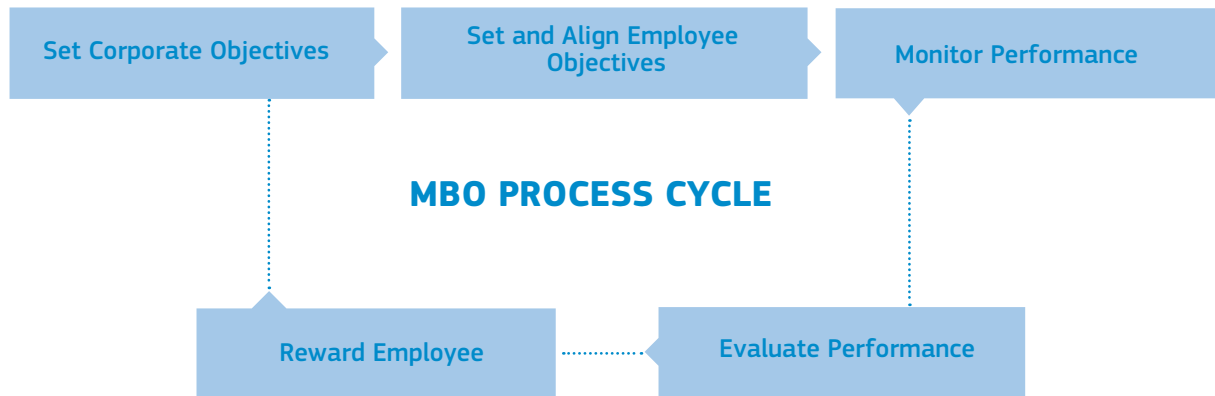
to get results otherwise. Efficiency is not something that can be managed just once a year: you must work with it constantly, relying on a constant flow of information.

Will there be changes in the Finance Department?

I've worked with the Finance Department for quite a while, in the context of strategy and investment projects. Our financial operations team is very strong and has always been so. So I don't think any revolutionary changes are required.

And yet, everyone is expecting them.

Here, I'd say that we're talking about structural changes that will best unlock people's potential. In the consulting culture that I grew up in, people are the main asset. And my development depends directly on the development of my team. Any changes we make will be focused on fostering this development as far as possible. For example, we're creating a new controlling directorate. It will focus on managing efficiency: lowering costs, optimization – that is what the company needs most at the moment.



Source: leapcomp.com

As I understand it, this directorate will be at Group level?

That's right. At the moment, we are introducing a matrix-like management structure, which includes product divisions and universal functions that operate across the entire Group: HR management, investment, procurement, legal, finance, and so forth. The task of the new controlling directorate will be to increase efficiency in all production areas and at all sites. It will, in its own way, be a link between the various companies.

But is it possible to increase efficiency from a distance? For example, can results at the Yekaterinburg site be improved from an office in Moscow?

Acting from the center alone, it would be impossible. There must be on-site finance departments, and there always have been. But we have never had anyone at the Group level who could, on the one hand, observe the interactions between operations such as sales, finance and production, and on the other, observe the interactions between companies within the Group and then propose general solutions to improve them.

If we were to take a look at the structure of the whole Group, would it be possible to say where there will be changes?

There is something happening at each of our assets at the moment, nowhere is the status quo being preserved. A weak market is a good time for change, since we have the opportunity to look at ourselves again from a distance and find ways to make efficiencies.

What will happen to the European assets, since they are the least profitable?

We are working on a lot of projects there in parallel. On the one hand we are investing in new plants such as, for example, the new mill at DanSteel or the new Q&T facility at NLMK Clabecq. These projects are aimed at improving production quality,



“ *But what does increasing efficiency mean without some sort of quantitative measure? It doesn't mean anything* ”



thus increasing profitability and market share. At the same time we are tackling the costs which make our European assets inefficient. We've begun restructuring in order to change the business model and make it more viable.

What other projects are you currently working on?

There are quite a few. For example, we are seeking to optimize the budgeting process which, at the moment, costs the company a lot in terms of time and resources. My task is to remove the superfluous elements and, having freed up resources, redirect them toward different projects. Another project, which is focused on consolidation of payments among the Russian companies, is likewise intended to increase the efficiency of the process. There is also more work to be done on projects concerning the key performance indicators, which we spoke about earlier.

And how will the life of a Finance Department employee change?

I will be moving away from a rigid hierarchical structure, in which each employee works only within the context of his or her department and doesn't interact with anyone else. It's very easy to break down the barriers: all you have to do is create working groups and cross-operational projects. Strategic planning or the preparation of an annual report involves the interaction of many departments, and I would like to develop a culture of teamwork and mutual assistance.

What is your typical working day like?

I don't have what could be called a typical day, because I see my work as a collection of projects. Each day represents a set of challenges and a choice of priorities. I may disappear for a few days, fly across the Atlantic, and meet with investors, but equally I may sit in front of a screen and do some analytical work. The only thing I can say for sure is that financial operations require a lot of interaction both with the outside world and within the company; otherwise, they become meaningless.

And what happens if you have two tasks of equal priority?

I do them both at the same time (*laughs*). Of course, my workload has grown. But I am convinced that if I have a team that I can rely on, then I can get any project done.

Do you like your work?

My interest in this work is twofold: firstly, it is an opportunity to develop not just financial operations, but the business as a whole. I have a real opportunity to influence the company's financial results, as well as where the company will be in a few years, its strategy, the value of the business, and so on. And all this makes my work very interesting.

And secondly?

Second is the team. They are interesting to work with and I learn from them. Wherever I've worked,



I've found a person who could become my mentor and people for whom I became a mentor myself. I believe that there is a lot that I can learn and teach here at this company, and in this department.

You studied in France and Singapore, where you lived for a while. How did those experiences influence you?

I lived abroad for more than a year, and in that time I met hundreds of people who were nothing like me, who thought differently. Today, this helps me find a common language with different people. In general, I think that the opportunity to see, and even better to live in a different culture, is essential if you want to develop. As I see it, there are certain limits beyond which you cannot reach if you shut yourself away in your work, your city, your country.

But your favorite city is still Moscow?

It's especially interesting to work in Moscow. At the moment there are few places in the world that have such growth, such opportunities and possibilities. I love Singapore as well, for example,

but that city is something else – for me, Singapore is the ideal model of how a city should be organized.

That said, there are very strict laws there...

The general opinion is that they're strict. But the people who live there don't think so, and are convinced that these laws help the city flourish. As I see it, a law against dropping gum on the street is not such a bad thing (*laughs*).

So you approve of strict rules? As a manager as well?

In principle, I am a demanding person, first of all because I demand a lot of myself. But everything can be solved and fine-tuned if the desire to grow is there.

And your ideal employee, is he or she a person who is constantly growing?

Yes, that is the main quality. Endeavor, a reluctance to stay in the same place, a dislike of maintaining the status quo.

And must he or she develop through education?

Through any means possible. Education is merely a tool. You could go and spend a year getting an MBA, but you could get the same thing by interacting with people at work or by traveling. The idea is to move forward – how that happens is up to the individual.

What advice would you offer to a manager who dreams of becoming a vice president?

I would advise against such a dream. When, during my studies, I was asked yet again, “Where do you see yourself in 10 years?” it was always hard for me to formulate an answer in terms of a particular position. It’s more a question of the interest you have in your work, and new obstacles that you wish to overcome. Therefore, I would advise him or her to dream about and look for interesting work before anything else. A position, a title, all of that happens of its own accord.

What do you do in your spare time?

I like to ski, among other things. But, unfortunately, it’s a sport that you can’t do all the time due to our climate and geography. I also like traveling very much – for me it’s a way of learning about the world.

Where would you like to go?

I have never been to Australia, and haven’t been to Africa much. There are a lot of blank spaces on the map.

What else do you do for relaxation?

I don’t have a lot of free time and therefore, of course, I try to spend the time I do have with my family. I am married and have a son. My family is the most important thing to me.

I’ve heard that your wife is also a very goal-oriented person. Is it true that she has her own business – a family club?

Yes, she does have a project of her own. She got her MBA degree at the same business school as I did; in the process, her worldview changed. Before that she worked in consulting for a long time. Now, she has decided that she wants to build something of her own.

Are you helping her with that at all?

“ *There is a huge need for information within the company. People need numbers and analytics in order to understand their own business processes*

I see my main role as a motivator. I have always tried to support and inspire her. This, after all, is probably the hardest thing to do – to step out of a familiar structure and begin to build something from nothing. But her project is really interesting. There is a definite need for children’s centers in Moscow – I can see this through having a child of my own. So you could say that her project is a socially useful one.

And, no doubt, your financial expertise has come in handy too?

Yes, I was the one who drew up the business plan (*laughs*). Unfortunately, the market is what determines where you end up, and not everything works out as it was supposed to in the business plan. But what is important is understanding where you are going.

What is your main principle in life?

Endeavor and – as a fundamental principle of sorts – fairness. I believe that whatever we do sooner or later comes back to us. And therefore, I try not to spoil my karma (*laughs*). If you treat the world and the people in it well, then they will respond to you in kind. Not always right away, but they do respond. That is, I believe that the world as a whole is ultimately fair. ■



PAUL FIORE

PRESIDENT AND COO OF NLMK USA, 53, PORTAGE – FARRELL

Especially for NLMK Group Magazine, President and COO of NLMK USA Paul Fiore talks about himself, his principles, his successes and Russia

ABOUT HIMSELF

I graduated from Thiel College in 1981, and upon graduation I accepted a job in the steel industry. As of this year, I will approach 32 years in the field.

Currently I'm serving as the President and Chief Operating Officer of NLMK USA. In that position and in that capacity I have responsibility for the Pennsylvania facility, the Sharon Coating facility and the Portage facility, which is NLMK Indiana. I've had that responsibility since March 2010, so this year marks my third year of involvement with that facility.

ABOUT THE CHALLENGES

Looking back to 2010, when I first got involved at the Indiana facility, we had a lot of fundamental problems in terms of how the place was being operated. One of the things I saw early on was that there was an enormous amount of pressure on the operational side to support the commercial book.

The way it typically works in operations is that you will forecast your production levels and then you ask the commercial group to go out and book towards them. Commercially, we were getting

it done; operationally, we weren't... and we needed to revisit our operations and look at our structure and understand what was going on, why we weren't meeting these goals.

For instance, in the melt shop, we would schedule the facility, we would operate, and then we would shut down for repair turns. When the time came to start up, we would never meet our scheduled startup, and the reason for that was that we had so much repair work that needed to be done on the mills that we weren't completing it.

So the repairs would continue, or we would start up and then shut back down. It seemed to be the norm!

ABOUT WHERE PEOPLE GO

One of the problems we faced was that we were seeing a huge turnover of staff, and that turnover was costing the company a lot of money.

In the Indiana geographic area there are other steel mills located close by. So, people had the opportunity to decide whether they wanted to work for our company or work for the other mills. I realized that the issue we had to deal with was the stability of the facility. We had to get confidence levels up, we had to build up people's morale.

I think, in their minds, the staff felt the same as the management, that the focus, and the structure, and the stability of the company wasn't there. So, those were the things we had to deal with. And it's been three years now, and it's something that from a staff turnover standpoint we will continue to address, and we need to address, but we've gotten much better. We've seen a decline in the number of people that are leaving our company.

ABOUT THE RIGHT FOCUS

There were two areas I wanted people to focus on: one was the throughput, which had to do with our tons per hour, and the other was equipment efficiencies, which we refer to as the 'delay rate'.

These were the same issues that I felt we had in the strip mill as well. One of the things that is different between the hot-strip mill and the melt shop is that the hot-strip mill has additional capacity. So, even if they weren't hitting the numbers, they would add turns to process more material, and they would still satisfy our customers' requirements.

The melt shop was a bit different, because we were always against capacity, and when we increased the throughput, we increased our equipment efficiency: at that time, ultimately, we were going to get more tons through that facility.

So, we regrouped, took a look at our maintenance; we put programs in place; we changed

the structure a bit, and we actually took more time during the repair turns to get the mill working and do the repairs that were needed.

ABOUT THE MENTALITY

I wanted to change the mindset. Part of that – you would think it's a little thing – was that we needed to get the mill started up on time.

What was normal for the workers was abnormal for me, and so we needed to establish a new norm. That has now been done. By doing that, we looked at our performance and found that we had established new annual records: we set records for annual tonnage, annual tons per hour, delay rate, and we also set a record for capacity, in terms of total tons.

ABOUT THE RECORDS

I was pretty excited about our 2011 performance. Then we got into 2012, we continued with these practices, procedures, we were holding people accountable, we were working with people, and as we finished 2012, I was amazed by the numbers that we were reaching.

Once again, we achieved record results in the same areas. We also set a new quality record. Just think about that for a minute: we introduced a product that was tougher to run, harder to make, which could actually have caused the quality to maybe deteriorate a bit. Instead, we set a new quality record.

The magnitude of the annual records that were set: in the melt shop, the previous record from 2011 was 670,000 tons. We got into 2012, and I can remember halfway through the year, people were starting to calculate: this is how many tons we've produced in six months and if we extrapolate this we can get to these levels. People were talking about skipping the 700,000 level and getting to the 800,000 level. And those guys did it.

Our guys produced 800,000 plus tons in the melt shop. On the strip mill side we have approximately 30% more capacity!

I don't get as excited about the total tons. I really want people to focus on the throughput rates and equipment efficiency; and in that regard those guys have done an outstanding job as well.

ABOUT SAFETY

You know, I don't mind being lucky, but we need to be good, we need to have good solid safety practices in place.

Unfortunately the facility at Indiana didn't have a very good reputation when it came to safety. We had some unfortunate accidents that

occurred in the past. So, we worked hard to address that, we worked hard on improving awareness within the facilities. The OSHA recordable was a new annual record, which is a measurement of our safety performance. And this was accomplished at the Indiana facility.

When you think about how we did things like that, one of the things I wanted to do – talking about synergies – I wanted to take our safety group from here at Pennsylvania and get them involved at the Indiana facility.

Initially, when I went out there, we combined safety with security, because we needed to secure the facility's assets as well. We had a program in place where we contracted out our security service. So, I decided to cancel that, and we hired our own people. So, we have safety and security guards now, not just security; and our criteria included the fact that we wanted these people trained and certified as EMTs. So, any time we do have any type of accident in the facility, our first defenders are somewhat trained in that area to assist. Also, by doing this, we are able to take these guys, and give them a chance to spend time in the mill, they feel like they own the mill, they are part of it, and they help raise awareness.

People get into habits, they start to do things and do not realize that it's really not safe, the way a task is being carried out. By having somebody from the outside walk in, they are able to look at it through a fresh pair of eyes and we have seen that we've actually caught people doing things they shouldn't. We've actually worked with them and tried to understand why they are doing something in a certain way, and then we've corrected it. So, it's had a positive impact.

ABOUT THE FUTURE

This year, in 2013, we need to continue to achieve the efficiency levels that we've obtained in all three facilities and find ways to improve and perform better.

The challenge we are going to have at the Indiana facility is now that we've set these new levels and this new benchmarking, we need to continue to improve more there as well. We are going to put a little pressure on the strip mill at Indiana to see how they perform.

At the Farrell facility the history here is that we've been able at times to ramp this facility up and down. I'm pretty confident that we can continue to do that in an efficient manner.

And at Sharon Coating the challenge that we are going to have there is to try and find customers and product that we can make a decent margin on.

One of the things we struggle with there is the ups and downs in production, and that becomes an issue from a personnel standpoint.

ABOUT HIS MANAGEMENT PHILOSOPHY

I believe in managing by teamwork. I believe in empowering people.

I want people to be part of the problem solving. I want them to be part of the solution... and once a decision is made, and a direction is earmarked, I expect everyone to follow it.

All of us should be held accountable and responsible for our actions and our performance.

ABOUT HIS CHARACTER

If we just talk about character traits, there are two traits that I really believe in myself. The first is integrity. I think a man has to have integrity... and the other is honesty.

And I think those two go hand in hand.

I try and live my life by those two characteristics. And I'd like to work and manage this facility in the same way.

ABOUT HIS HOBBIES

I do have some hobbies. Actually, there are two. I enjoy physical fitness, I enjoy lifting weights, exercising... and my other hobby is golf.

And golf is somewhat challenging for me, as it is, I think, for everybody. Golf takes a lot more time, so I don't get to play it as much as I would like to, but when I can, I enjoy getting out there.

I enjoy spending time with colleagues, friends and just getting away from the plant for a while and enjoying the scenery.

ABOUT RUSSIA

I spent two days at the Lipetsk mill – very insightful for me, it's a very large operation...

And actually it was nice to see product being produced in the same way that we produce it.

That's amazing for me, that we can continue to make steel whether it's in Russia or whatever country. Though there is a language barrier.

And while there, I did have some opportunity to spend time in Moscow, it was only a couple of hours, but what a beautiful city!

So, at some point, I would like to go back, but I would also like to get some of our management team to continue to work with the folks in Russia and have some dialog.

We can send some of our people there, and certainly invite people from Russia back to our facility. ■

ALL GOING TO PLAN



*NLMK's management has approved the **Business Process Improvement Program**, designed to increase efficiency at the Lipetsk site. Novolipetsk (NLMK's main production site in Lipetsk) Managing Director, **Sergey Filatov**, explains*

The simplest definition of efficiency is the ratio of resources expended to results obtained or, in other words, the greater the income and the less the expenditure of a business, the more efficient it is.

THOSE WHO SPEND LITTLE BECOME RICH

The most significant feature of all vertically integrated steel producers, including NLMK, is that the lion's share of the cost of the final product is incurred at the earliest stages, the technological processes of manufacturing sinter, coke, pig iron, and steel.

It is these processes which consume the vast majority of raw materials and fuel. This is the inspiration for the program – to improve efficiency

Source: working group analysis

at the blast furnace, coke and chemical, and steelmaking stages. It is a question of using all of our resources as cautiously and efficiently as possible, and streamlining the operations of these production units, and of our other Group assets, which supply the raw materials.

It must be said that the results achieved by NLMK at the upstream stages of production are some of the best in the industry. But we must not rest on our laurels. During times of economic crisis and increased competition, only those businesses which systematically employ their reserves to reduce consumption of raw materials, energy and labor costs will survive. NLMK has such reserves in abundance. We have everything we need to manage our resources efficiently: highly qualified staff, ▶

Principles of a systematic approach to increasing efficiency

1 **Maximizing** the process efficiency of steelmaking facilities

3 **Optimizing** the structure of fuel and raw material balances

2 **Minimizing** costs of raw materials, fuel, other materials, and energy

4 **Reducing** environmental footprint, including minimizing waste

our own iron ore, and the latest steel processing equipment and plants. We just have to remember the old saying: those who spend little become rich.

It is well known that NLMK does not produce its own coal. But that is not a problem for us. Within the steel industry, there are several examples of how businesses become more creative and innovative, and become market leaders, when they find themselves short of raw materials. So to improve the quality of coke we have optimized the coal charge, reducing our expenditure on the purchase of coal and allowing us to supply our blast furnaces with high-quality coke (as far as the CSR is concerned, coke from Altai-Koks and Novolipetsk coke and chemical production is the best available in the Russian steel industry). This improved the functioning of the blast furnaces, which, in turn, led to a reduction in the production cost for pig iron, steel and finished products.

ONE FALSE NOTE

There is one other important element reflected in the Business Process Improvement Program. Any steel company is a complicated system which cannot operate efficiently unless each link in the chain functions precisely as it is meant to. It is a bit like an orchestra where one false note on a single instrument can ruin a whole performance. That is

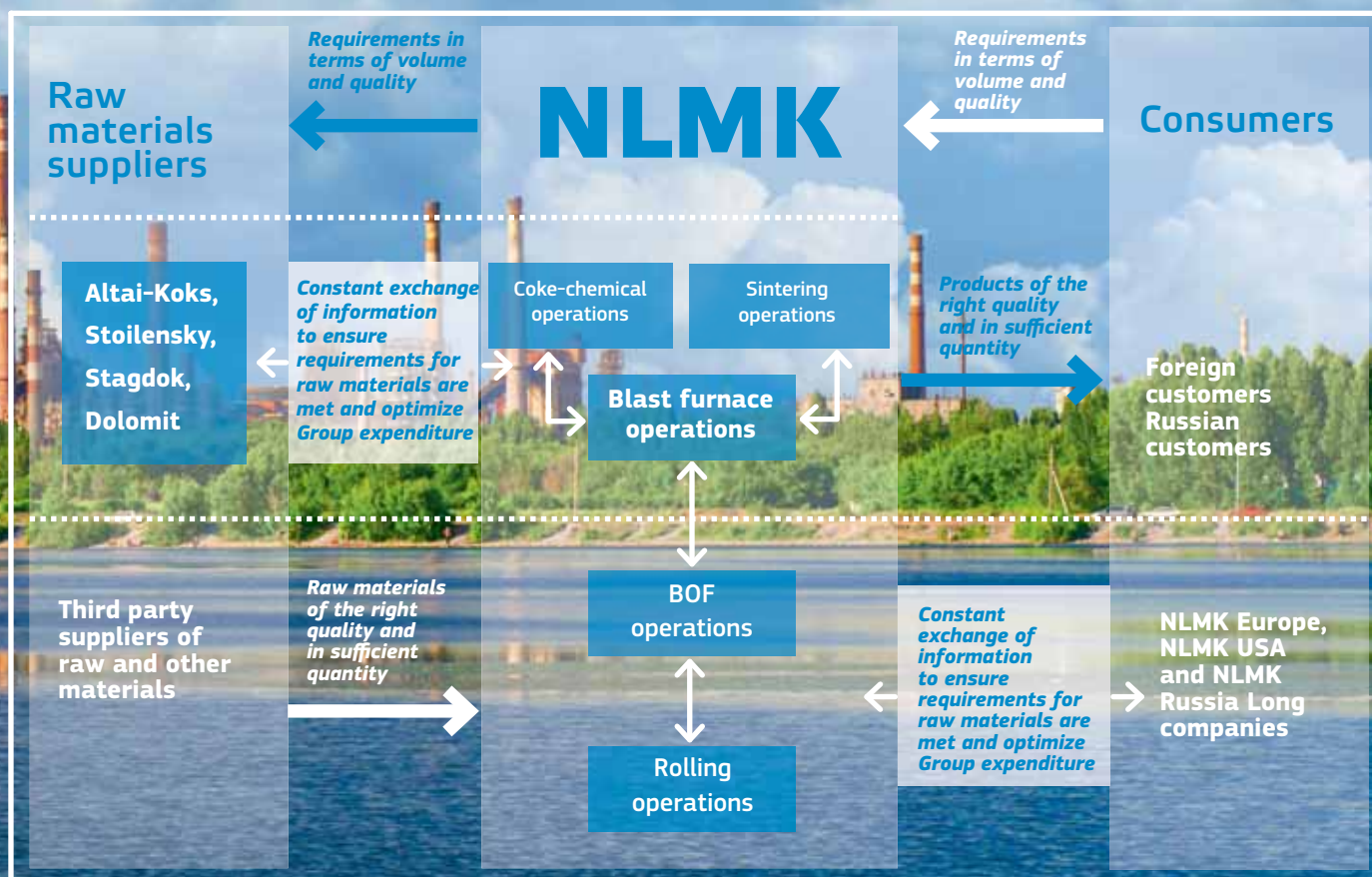
why it is important for the management, specialists and employees at each stage to understand that the operation of their section can only be deemed successful when its products or services meet all the needs of the next link. And if a problem comes up it should not be passed along the chain, joint efforts should be made to find a resolution. Only this kind of responsible collaboration will improve productivity and lower production costs.

For example if the coke-chemical plant delivers poor quality coke to the blast furnaces, even if it costs less, it is not improving the bottom line of the company, but making it worse. In the same way, the blast furnaces can impair NLMK's bottom line if the pig iron delivered to the BOF shops does not meet the chemical composition and temperature requirements of the steelmaking facilities.

As far as collaboration between the Group's companies is concerned, it must be based on the notion of a single manufacturing network: separate companies must work with each other as though they were simply 'remote departments' of a single macro-enterprise.

I should also point out that a company's results without doubt also depend on properly functioning transport services, eliminating any existing logistical problems and establishing 'linear' communications between departments and other units.

How the production plants and sites work together



AMBITIOUS AIMS

We have now got working groups implementing efficiency programs at the blast furnace, coke-chemical and steelmaking plants. Their selected priorities can be divided into two groups. The first includes measures to use potential to increase efficiency without the need for significant investment. These can be implemented virtually immediately. It is these measures that we have termed the Business Process Improvement Program.

Of course we cannot just content ourselves with short-term results. The long term is equally important. So it makes sense that the second group contains strategic measures which require investment of both time and capital. If there is a need to finance large-scale investments at Novolipetsk, then we will concentrate on the most effective measures first.

It must be said that the initial results of this program are encouraging. Preliminary assessments indicate that by the end of the year, the Business Process Improvement Program should have

reduced costs by around RUB 2 billion. Bringing in the program of 'strategic' improvements will lead to more stable and efficient manufacturing performance in the future.

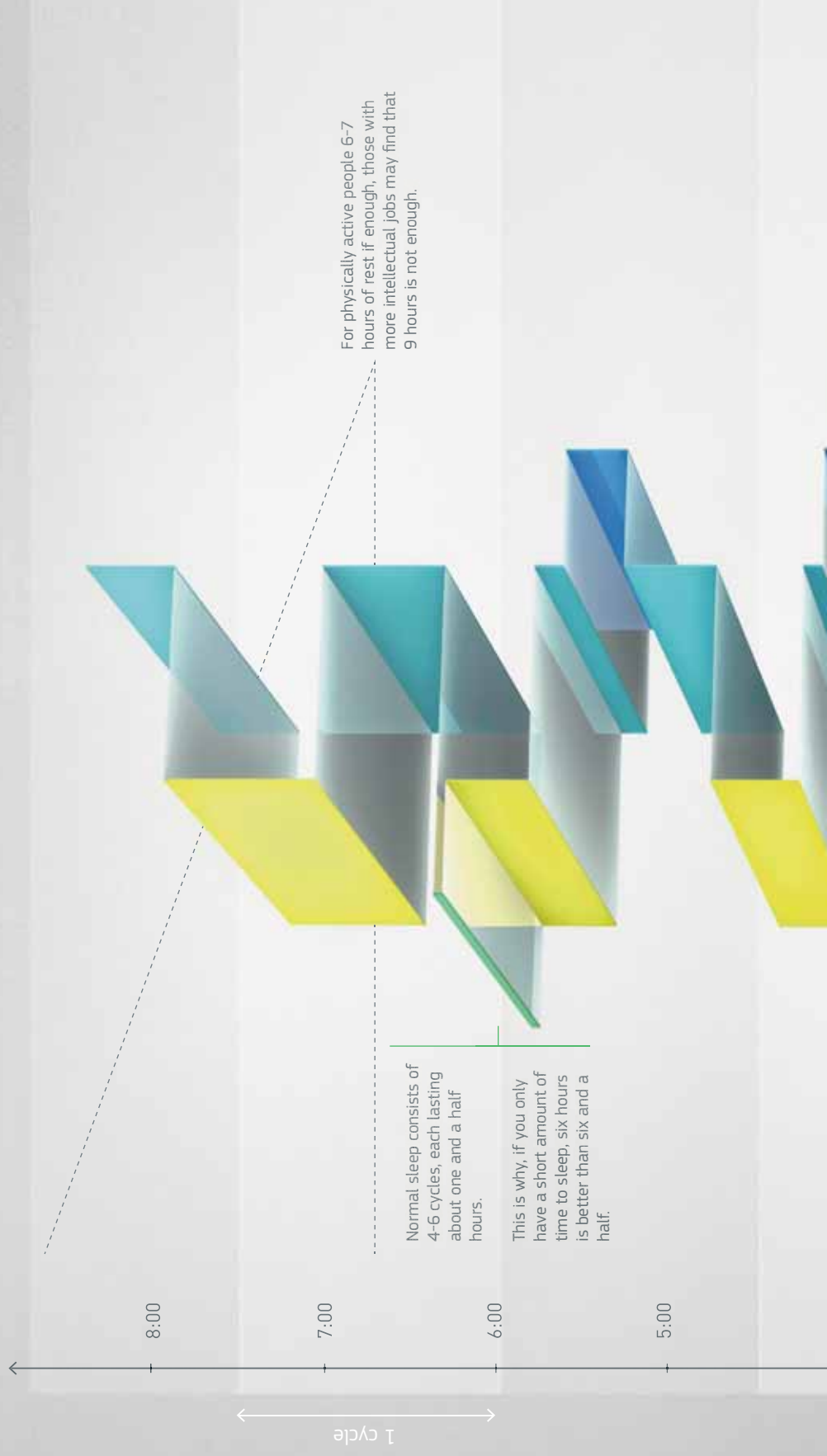
Serious innovation is not possible without involving some highly recommended research institutions in the process. With this in mind, we have invited the Ural Institute of Metals, the Institute of Ferrous Metallurgy of the Ukrainian Academy of Science, the Eastern Coal and Chemical Research Institute and many other scientific departments and organizations to participate in this work. Their plans are being implemented in the short term and included in development programs for the future.

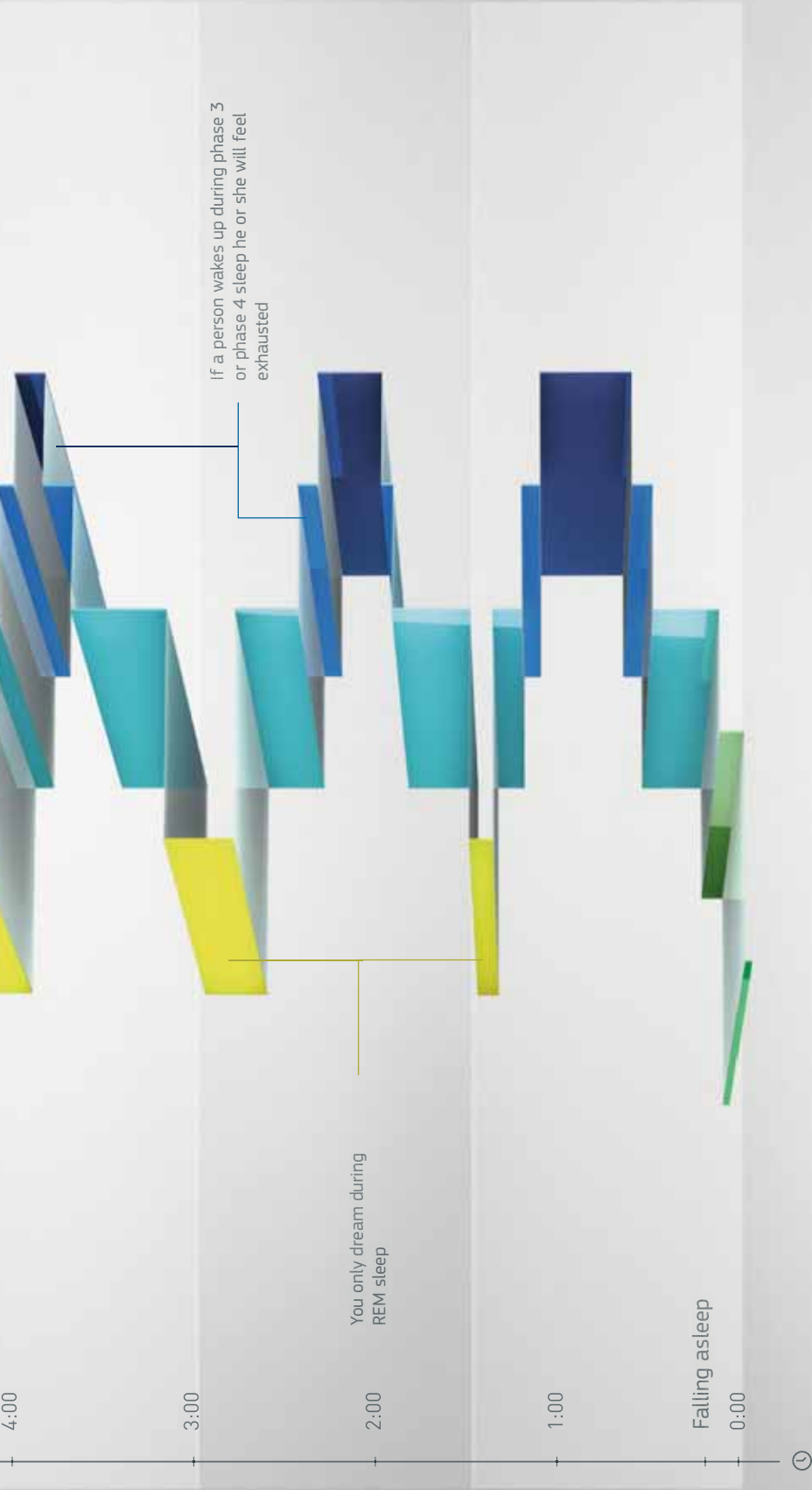
We have complete faith that we have chosen the right path and that we will achieve our ambitious aims. Novolipetsk will enhance its position as Russia's leading company in terms of efficiency and the high quality of its products. ■

A healthy awakening

To feel healthy a person needs 8-9 hours' sleep.

However in extreme circumstances you can manage on only 3 hours. The main thing is to wake up at the right time.







NLMK INDIANA: PROTECTING THE GREAT LAKES

*Specially for NLMK Magazine, **Bert Passalacqua**, Maintenance and Environmental Engineer at NLMK Indiana, talks about what the US companies are doing to protect the environment and the many species of fish found in Lake Michigan*

The steel industry in Northwest Indiana has a long and productive history. For well over one hundred years, integrated steel manufacturers have been situated along the shores of North America's Great Lakes, particularly Lake Michigan. These huge integrated steel mills, including three separate Arcelor-Mittal

plants and the sprawling USS-Gary Works, have had an outsized economic presence in this Region. As the only steel mini-mill on the lakefront, NLMK Indiana's predecessor, Beta Steel took its place among these giants in 1992 for one important reason: access to water.



ALONG THE SHORES

The waters of the Great Lakes and Lake Michigan act as super-highways for raw materials and finished goods for all the industries ringing them. Petrochemicals and automobiles are imported and exported here. The vast agricultural heartlands of the United States and Canada ship much of their grains to a hungry world via the Great Lakes. Importantly for us, large lake ships annually transport millions of tons of iron ore from the iron ranges of northern Minnesota to the integrated steel mills lining the southern shore. Via barges that operate on the Lake, NLMK Indiana receives scrap steel that is the main feed stock for the electric arc furnace (EAF). In short, some of the largest and most active international ports in the United States are located here in order to access Great Lakes waters for transportation.

While the population of millions surrounding the Great Lakes and Lake Michigan relies for drinking water on the abundant fresh water provided, the lake system also serves a secondary but vital function to the industries located there: cooling water. In particular, the steel industry uses the fresh water cooling capacity to efficiently operate coke plants, blast furnaces, steel making shops, and rolling mills. Unfortunately, history tells us that the steel industry has not always been the best steward of this resource.

With that background provided, paradoxically, it is interesting to note that NLMK Indiana does not directly withdraw any water FROM Lake Michigan nor does it discharge any waste process water TO the Lake. The mill has a small make-up water feed from its home city of Portage, Indiana that does purchase water from a utility that draws from the Lake. Given the huge quantities of cooling and descaling water required for the Hot Strip Mill and Melt Shop operations, how can we operate without drawing cold water directly from the Lake?

We utilize a closed loop cooling system. Fresh water is provided as make-up to the Hot Strip Mill for descaling and laminar cooling. This water is collected and directed to a series of cooling towers, where it is cooled and prepared to be re-introduced into the process. The water is further provided to the Melt Shop where it is cleaned and utilized as non-contact cooling water for the steel making process and spray water at the continuous casting machine. The spray water that is used at the caster vaporizes into steam when it hits the hot steel, contributing to solidification of the steel strand in the casting machine. Eventually, a number of cycles are reached when the remaining water is no longer suitable for machine use (as determined by chemical analysis and chloride buildup).

“NLMK Indiana does not directly withdraw any water FROM Lake Michigan nor does it discharge any waste process water TO the Lake

BY LAW

Not all water that naturally departs the facility comes from our processes. Rain storm water is collected in our storm drainage system and is directed to a municipal sewer system. Eventually, this storm water reaches the public waters of Lake Michigan. It is therefore important for us to regularly monitor the condition of our roads, parking lots, and other storage areas. We are interested in preventing any oils or hazardous materials from entering the storm water system, and take great care to implement best management practices to accomplish this.

This is one area where we are required, by law, to maintain a permit to discharge storm water. The

United States Environmental Protection Agency (EPA) administers a program called the National Pollutant Discharge Elimination System, or NPDES. Its sole function is to monitor and control pollutants that could enter and affect the “waters of the state”. The permit program requires us to regularly report the amount of discharge and to also sample and test our storm water.

While a strict regulatory requirement for us, paying attention to the quality of our storm water discharges is also something we should take seriously as an important factor in quality of life for Lake Michigan. This body of water is, in addition to the previously mentioned uses, a major source of recreation and fishing. Many species of fish are taken for sport including several species each of bass, perch, trout, and salmon. Sturgeon also can be found in Lake Michigan, however very rarely, due to the species’ slow reproductive cycle and the destruction of its spawning habitat. Fishing, therefore, is an important economic activity in this area, and we are interested in helping keep the water clean.

As can be seen, NLMK Indiana is doing its part to minimize its environmental impact on this precious resource by actively promoting and carrying out efficient recycling of water and carefully controlling storm water discharge. We do this partly to comply with the law, and partly to act as a good citizen in our community.

PROTECTING THE AIR

Because of the preponderance of heavy industry hugging southern Lake Michigan, there are other potential impacts on the environment that have historically been linked to this region. In the past, the night sky would glow from iron and steel making operations and refinery gas flares. This air pollution was always taken as a sign of productive prosperity, and people gainfully employed. However, due to general awareness and concern from citizens, regulations were created to reduce the impact of specific sources of pollution on people’s health.

Accordingly, in 1970, the EPA came into being by law. The birth of this agency has led to the development and enforcement of thousands of environmentally related regulations and laws. One of the most relevant and burdensome areas of regulation for us, in particular, was the creation of a permitting system for large industrial sources of air pollution. Our mini-mill is no exception.

One of EPA’s missions is nominally to improve the quality of the nation’s environment: air, water, and soil. With regard to air quality, it accomplishes this mission and its goals by monitoring and policing companies’ adherence to specific conditions contained in permits. Again, NLMK Indiana is no exception and we have a permit for our operations. Compliance with an air operating



One of the most relevant and burdensome areas of regulation for us, in particular, was the creation of a permitting system for large industrial sources of air pollution. Our mini-mill is no exception.

permit is a legal obligation, and we take it very seriously. We take compliance seriously because there are financial and legal repercussions associated with willful negligence during our operations, as well as social penalties and the risk of gaining a bad reputation within the community as a result of neglecting our obligations.

The air permit is built around physical limits on our operations and requirements for recordkeeping and reporting. There are limits to how much and how fast we can produce and roll steel. There are limits to how fast we can burn gas and reheat our furnaces. There are limits to how much of certain pollutants we can emit. There are limits to the opacity, or relative “darkness”, of any emissions coming from our operations (which is always zero). There are requirements related to how often we are required to maintain, test and calibrate our emission control equipment. All of this is either self-reported or physically confirmed by inspectors from the environmental agencies.

These requirements must be met and reported periodically. This means that data needs to be generated and collected. This is accomplished by our robust automation and data collection systems. Running full time to monitor and control the plant's processes, the computers are also used to provide data for our air permit compliance program. This information is collected, summarized, and reported on a regular schedule as required by our permit.

Through hard efforts over the years, and the work of dozens of environmental professionals, NLMK Indiana has arrived at a mutually agreeable air permit with the State of Indiana. As a result, we enjoy a good relationship with the agencies. This demonstrates that our company is fully interested in both complying with the law and remaining good members of the local community.

WARNING: TOXIC!

There is one more major area in which NLMK Indiana has environmental responsibilities: hazardous materials. Chemicals and waste are present in many manufacturing environments. This is especially so at steel mills. Hazardous components of chemicals are present in quantities that require us to regularly report them to emergency response authorities. This is done so that the public has knowledge of our operations

and the risks present in their community. Mainly, though, this is done to actively assist emergency response teams, such as the fire department, so they can prepare for hazards to their people if they come onto our site in an emergency.

Large amounts of hazardous waste are generated by our electric arc furnace (EAF) steelmaking process in the form of dust. There is no getting away from this. The EPA has deemed EAF dust to be a hazardous waste by “listing” it. Any waste on this list must be handled as a hazardous waste and is subject to strict regulation. This regulation involves many obligations including providing proper storage facilities, assuring security, preparing handling and contingency plans, training personnel, arranging for regulated transportation, and certifying disposal by authorized means. In our case, we dispose of this dust by shipping it to a recycler. This recycling company uses a proprietary process to extract residual metals such as zinc and iron.

During the steelmaking and rolling processes, we generate other byproducts that are valuable. Slag from the steelmaking process is further processed and sold for road building and other valuable uses. Used oil of all types is recycled. Fulfilling the original concept of the mini-mill as the most efficient means of recycling steel, scale that is removed during hot rolling is recycled back into the steelmaking process, as is any scrap that is incidentally created. In this manner, we minimize our “footprint” in the community.

We have seen how NLMK Indiana is committed to fulfilling its legal compliance obligations, but there are other interests related to adding value to society. Like all mini-mills that recycle steel, NLMK Indiana serves an important role in helping the market allocate resources efficiently by keeping these otherwise wasted resources in productive use and out of landfills. Engaging a recycling company to extract valuable metals from otherwise landfilled EAF dust is another important activity we use to help protect the environment. Reusing slag for the construction industry is yet another beneficial reuse of an otherwise wasted product. In all of these ways, our efforts can be viewed as going beyond merely complying with the law, to doing our part to benefit society at large. ■

IN GOOD HEALTH

On the eve of World Health Day, we decided to ask our colleagues what they do to stay healthy



▶ Olga Smolnikova,
Planning Office Economist
at NSMMZ, Nizhniye Sergi

"To stay healthy, first of all, you have to love yourself and those around you, and smile more often!

Second of all, you have to find a sport you like, because daily exercise provides a huge energy boost. Lots of people say they don't have time for exercise, but the most important thing is to want to do it and to plan appropriately. And then – trust me – you'll find time for it! I have been playing sports since I was at school. Currently, I enjoy snowboarding and am training with a volleyball team. I also take part in athletics and skiing competitions. I have infected the whole family with my active lifestyle!"



▶ Dmitri Mezhenov,
Specialist, Professional
Development Department
at Novolipetsk

"The most important thing is nutrition. Not for nothing do they say, 'You are what you eat.' That's why I choose food which has been prepared from natural ingredients. But that is only one part of living a healthy lifestyle. The second thing is physical exercise. Every morning I warm up gently, which helps me wake up properly and feel cheerful. The third thing is to sleep well. So make sure to catch up on your sleep, even if it's on the weekends! And of course if you want to stay young, healthy and good looking for as long as you can, I'd say keep away from alcohol, cigarettes and other bad habits."



▶ Ivan Boiko,
Acting Chief Mechanic at the
Stoilensky Beneficiation
Plant

"For me, sport and health are related concepts. I try to keep active in my spare time – I go to the gym, cycle, and travel. You could say I'm up for anything active. I've been appointed fitness instructor this year at the plant, so now I can get others involved in an active lifestyle as well. When I go skiing, my mood lifts, my muscles relax, my lungs get some fresh air. When I work out in the gym at the end of the day, all my problems fade away. So my main advice for keeping healthy and in good shape is, 'don't be lazy!'"



▶ Irina Lebedeva,
Economist, Finance
Department at Novolipetsk

"Health is first and foremost a lifestyle thing. For me, it is made up of three ingredients: constant movement, proper rest and the right diet. Those school posters which said that athletics was the queen of sports weren't so wrong after all. But even so, the most important thing for good health, both mentally and physically, is to be in harmony with yourself. So when my body tells me to lie on the couch and eat a bun, I lie on the couch and eat a bun. For the good of my health."

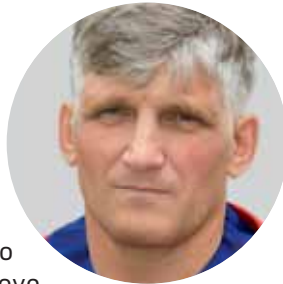


▶ Tatyana Netunayeva,
Central Laboratory
Assistant at VIZ-Stal

"I start my day with some quick exercises and a cool shower. I walk to work, and that's about one and a half kilometers each way.

During the winter, I go skiing every weekend. In summer I walk to our garden, which is almost eight kilometers away. And I try to get to bed on time. That's also vital to my sense of wellbeing."

▶ Sergei Bolotin,
Engineer, Power Plant
at Altai-Koks



"I've been lifting weights for many years now. I work out and help others to do the same. I often organize runs to stay in shape and improve stamina, which is important for any exercise."



▶ Andrei Belonogov,
Senior Mill Foreman
at NSMMZ, Berezovsky

"I do a lot of sports! I don't manage to do something every day, but I try to dedicate the weekends to exercise. In winter this'll be

skiing, plus basketball and swimming. I try to get my family into sports, too. If our team is competing in the plant's basketball tournament, my wife is always there cheering me on in the stands. And when the two of us conquered the distance at the Iskra plant sports festival, our young son, Kiryusha, was in the support group."

▶ Evgenia Guber,
Construction Engineer,
Technical Department,
Altai-Koks



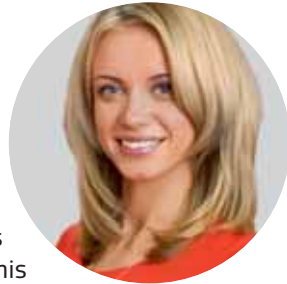
"I try to eat properly: I eat fresh fruit and vegetables, and foods containing protein and fiber. And, of course, I exercise three times a week. That's enough to keep me in good shape."



▶ Alexander Loktev,
Foreman, Cold Rolling Shop
at VIZ-Stal

"I exercise regularly and walk to work each morning. From home to the factory is five kilometers. That's about 45 minutes at a brisk pace. That's how I top up my energy levels for the whole day."

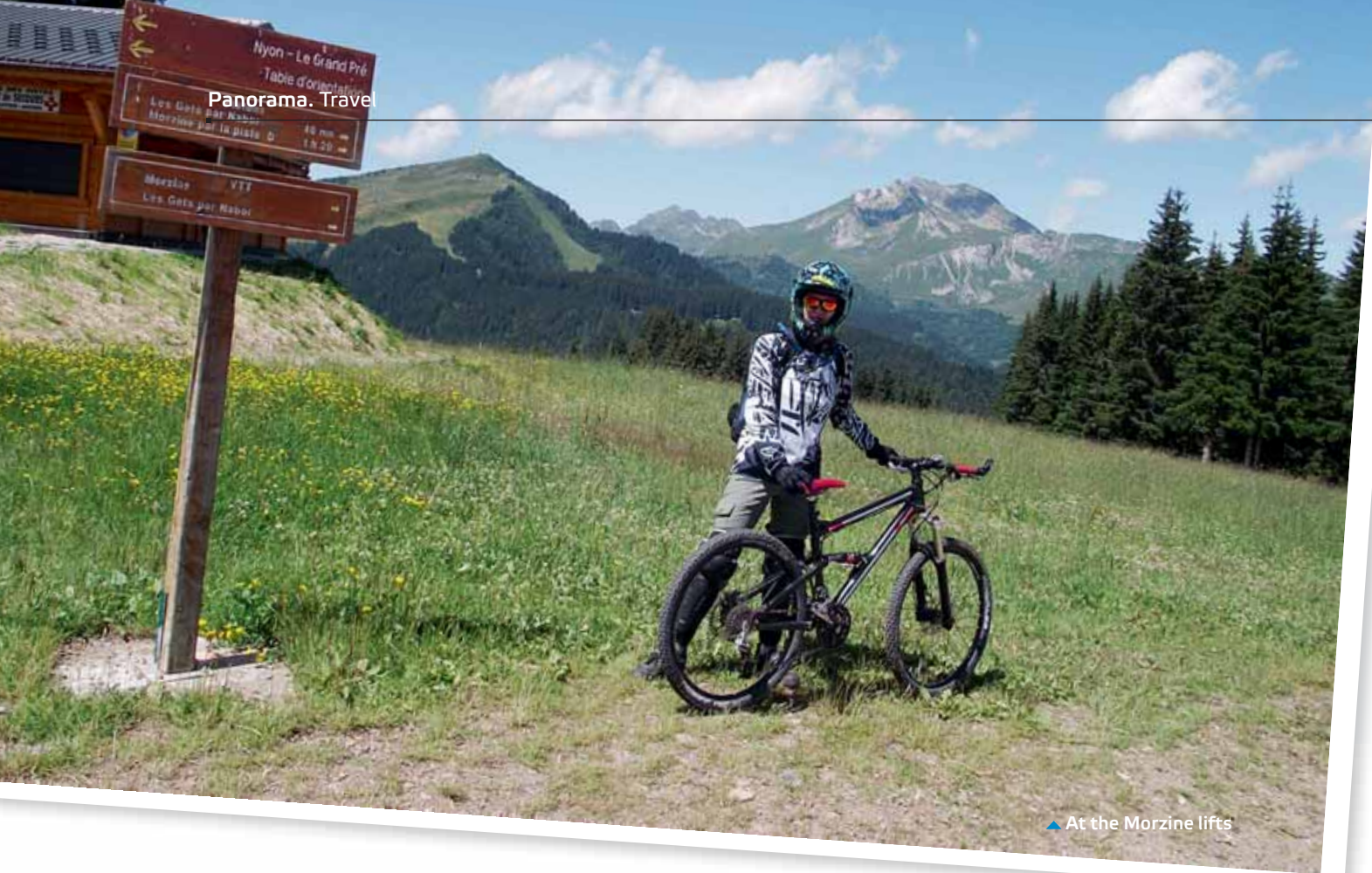
▶ Irina Putilina,
Personal Assistant
at Stoilensky



"The universal recipe for keeping in shape is a good night's sleep. This is especially true for women.

Ten o'clock till midnight – that's the best time for beauty sleep. I try to get to bed early, and catch up on my sleep on the weekends. In my spare time I like to walk a lot, as my work is sedentary. I go to a eurhythmics class and I love swimming and table tennis. I think World Health Day will really take off here. Nowadays, we are beginning to actively tackle bad habits and to encourage people to do more sports. I think this will bring good results in time. You have to take care of your health because only when you are healthy can you be truly happy." ■





THERE'S MORE TO FRANCE THAN PARIS!

Olga Valitova, Office Manager at VIZ-Stal, tells us what it was like to cross the Alps on a bicycle, why the local cows have cowbells the size of their heads, and what to do in France if you're not going to Paris

"So, where to this year?"

"France."

"Oh, Paris! I've always dreamed of going there! Can you bring me back some..."

"But I'll be 600 kilometers from Paris."

"And what on earth are you going to do there?"

These were the typical questions I encountered while I was planning my trip. Having heard the word 'France,' my friends and coworkers immediately thought of Paris,

or perhaps Nice. But there is more to France than the Eiffel Tower, the Champs Elysées and Disneyland. There are valleys, and lakes, and the seaside and oceans, and real mountains.

EVERY JOURNEY STARTS WITH A FIRST STEP

The first step of every journey is an idea. It might be a beautiful photograph, an article read by chance, or a childhood memory. For me, the word 'Alps' has always

evoked an air of majesty and mystery. So when, last year, I read a detailed account of a trip to the region by some friends, I decided that I just had to go there.

The Haute-Savoie region, which is where my knowledge of the Alps started, is a very popular ski resort in winter. But in warmer weather it is inundated with cyclists: Savoie is famed for its extensive network of bike parks, linked by lifts and cycleways for cyclists of all skill levels. You can choose a route to suit your style, from 'green' family trails to complicated and exhilarating 'black' runs where world championship downhill races are held.

Since I've been mountain biking for many years – beginning with independent tours around Russia and culminating in winning amateur cross-country competitions – I wanted to combine my hobby with some travel.

With a group of friends I spent 15 days in the French Alps. As our 'base camp,' we chose a campsite near the town of Morzine. From there you could get quite far in a day using the lifts, specially constructed cycleways and excellent asphalt roads.

Of course, my plans included more than just sports. The Alps are unbelievably beautiful, so I also wanted to just wander about with my camera, soaking up the atmosphere of the small towns and villages, trying the local cuisine and chatting with like-minded people from various countries.

I don't know much French, just a few basic words. But there was no difficulty communicating because there are so many tourists there that you can almost always make yourself understood in English..

WHY ARE YOU TAKING YOUR BIKE?

Lots of people asked me: "Why are you taking your bike with you? That's a lot of bother, and probably expensive! Surely you can rent a bike in any civilized country!" But no true cyclist would do such a thing. Renting equipment is okay, if you are only planning limited, simple trips. But if your main aim is a trip to the Alps, with challenging rides every day, then it is imperative that your equipment is in perfect order and as familiar as your own limbs, so that you can manage your sporting gear with complete assurance. You certainly can rent any type of bike and protective gear in the Alpine towns, but it's not all that cheap if you calculate it over the number of days.

"Cycling downhill is really easy!" This is another common misconception. On a dirt road with an almost vertical incline, where in a few seconds you can get up to 40 km/h and you are constantly having to clear

5 facts about the Alps

One of the most difficult tracks in the bike park, **the 'Toboggan'** run zigzags down the slope of a mountain

1

The word 'alpinism' is derived from the name of the Alps. Alpinism officially began in 1786 when the Swiss farmer J. Balmat and doctor M. Paccard climbed the highest Alpine summit for the first time, reaching the top of Mont Blanc.

2

The Austrian Alps hold the biggest in the world which are open to the public. They are not far from the Austrian town of Werfen.

3

The Alpine town of Meiringen, in Switzerland, is the birthplace of the meringue, which is named after the town.

4

All Alpine cows wear bells around their necks which are often as big as their heads. This peculiarity is a consequence of the complicated landscape of the Alpine pastures: each farmer can track the movement of his herd about the slopes by the sound, so the size of the bells is very important.

5

The Sphinx observatory is not far from the Swiss Jungfrau-joch pass; at an altitude of three and a half kilometers, it resembles the hideout of a super-criminal from a James Bond film. It is the highest building by altitude in all of Europe.



▼ The Alpine town of Morzine is heaven for cyclists



hazards, make sharp turns, fly over holes and ditches, jump from ramps and thunder across narrow bridges two meters above the ground, you've got no time to take a rest. In a two-three kilometer descent you can get just as tired as during a climb of the same length. But the descent is over very quickly and requires split-second reactions, good riding skills and top-notch equipment. Of course, you've also got to use better protective gear than you would on a normal bike ride: a closed helmet, body armor (sometimes called a 'shell' or even 'turtle'), knee, elbow and shin pads and reinforced gloves. This equipment weighs a few kilograms.

MORZINE AND GENEVA

Everyone, and I mean everyone apart from grannies – and even then I'm not too sure – comes here with a bike. Even at Geneva airport I was struck by the number of people with bikes on their trolleys, packed in boxes and cases: they really do come here from all over Europe. Downhill, All-Mountain, Freeride, XC, road bikes, city bikes – every type of bike for every type of ride, but everyone has one.

At sunset we rode into Morzine. The road wound along in beautiful loops surrounded by green hills. Kids chased around the campsite on four-wheeled bikes. You could see expensive bikes in the town locked with just a thin cable or simply left lying about.

Even though it's only a little town, it's buzzing with life: the two weeks we were there saw a festival of street sculpture, music and circus festivals; at Les Gets, a few kilometers away, the French championships for various mountain biking sports were being held.

I had dreamed of spending a few days peacefully getting to know the area and taking photographs as I biked around the roads; however, pedaling around those switchbacks, the dream faded, as it became clear just how much we wanted to achieve in our two weeks.

Over a couple of days we got our bearings, getting used to the lifts and trails at the nearest bike park in Morzine, starting, of course, with the easiest – the so-called 'kids' runs. We weren't in a hurry, gradually extending ourselves, working up our form. It turned out that taking photos on the roads wasn't easy: it was almost impossible to stop, so many people ride with cameras on their helmets.

Profile

Olga Valitova

Age: 30

Education: higher, historian/archivist by training

Years with company: 10

Position: Office Manager at VIZ-Stal

Hobbies: outdoor activities, mountain biking, travel, photography, psychology, organizing events (hikes, festivals, special occasions, competitions)

Travels:

— **By bike:** Central and Southern Urals, Baikal, Crimea, Karelia, Altai, Pamir, French Alps

— **On foot:** Northern, sub-polar and polar Urals; Crimea

Credo: "Everything is possible"



▲ You can see Mont Blanc from here

▼ Free bike washes are just the thing after a muddy trail



The national borders here are barely noticeable. During evening strolls along the winding roads, we walked with ease into Swiss villages and a couple of hours later returned to France. On the lifts we crossed the border several times a day.

Sometimes you'd meet a totally unexpected 'hazard' in the way. Even though all of the bike parks and the trails themselves are fenced off, somehow livestock can always find a gap somewhere. And you've really got to put on a show of cycling skill when, flying out of a steep turn, you suddenly find yourself face-to-face with a large and ponderous Alpine cow.

FANTASTICABLE

The next few days were spent riding in the next bike park at Les Gets. We liked Les Gets best of all, and it turned out to be a great place to learn and get acquainted with the more difficult 'red' routes. There are also a lot of routes in the beautiful hills and valleys around Les Gets; these are great for simply riding around and taking in the Alpine scenery. And once you're at the top with your binoculars, you can see the snowy peaks up close – even Mont Blanc, the highest point in the Alps.

Having completed the circuits at Les Gets, we soon reached the more distant and difficult trails in the bike parks at Avoriaz and Châtel. It rained for several nights in a row which made the cycling even more extreme and interesting. Almost all of the bike parks have bike washes, either free ones with just a trickle of water at the tap, or more powerful ones for a euro or two. If you

The mountain cyclist's dictionary

Downhill extreme racing sport for mountain bikes, completing a timed run down a trail. A typical downhill trail contains a number of different sections – steep descents, sharp turns, uneven sections with holes and bumps; sometimes more difficult hazards such as ramps are incorporated.

Cross country (XC, cross-country) – races across terrain with descents, long ascents, speed and technical sections. The trail may include both natural and manmade hazards.

Green, Blue, Red and Black trails – trails are labeled according to difficulty, starting with the easiest. The trails are not only marked on-site, they are also shown on special maps which you can get free at the lifts or download from the Internet.

Drop – part of a trail or a separate structure, a natural or man-made ledge from which you jump.

Shore – part of a trail or a separate structure, wooden bridges of varying length, height and gradient.

Bike-pass – a pass allowing you to use specially equipped lifts for those with bikes.

go cycling after it rains, your bike looks like a lump of mud at the end of the day, so a bike wash is a must.

Here I tried descending a steep and scary 'black' run for the first time; it ran like a snake across the hillside and I was only just up to it. It took my breath away. It's best to come to these parks well prepared.

Another attraction took our breath away as well: the 'fantasticable' – a zip wire over a ravine. It was more like flight than falling, and wasn't scary at all, but impossible to describe – you feel like a bird flying high above the hills and the woodland, the lifts and the cyclists.

With a week and a half of such adventures we couldn't keep on cycling at full tilt all the time. We got tired and therefore the rides in the last few days were more relaxed and nearer to the campsite.

The last morning was rainy and foggy. Clouds clung to the hillsides and it was damp, but all the same we didn't want to say goodbye to those green hills, that air, the mood. Au revoir, Alps! I'll definitely be back. ■

If you would like to tell us about your travels, send your article to magazine@nlmk.com

A flame lit by a steelmaker

The first eternal flame in Russia was lit by a metalworker. In 1957, steelmaker Nikolai Zhukovski was entrusted with lighting a torch at the Kirov factory's furnace No. 1, and transferring the flame, which had burned throughout the Leningrad blockade, to the Field of Mars and the monument to the fighters of the revolution. That is how the first eternal flame in the USSR was lit, and from that flame, the flame at the Piskarevskoye cemetery and flames at dozens of other newly-built memorials throughout the country were lit. In 1967, a flame from the Field of Mars was brought to Moscow in a special lamp, from which Leonid Brezhnev lit the gas torch at the Tomb of the Unknown Soldier. From Moscow the flame continued its journey to other cities.

*Field of Mars, St. Petersburg
Photo by Pavel Zuyev*





Follow us online at

<http://nlmk.com/media-center/nlmk-corporate-magazine>