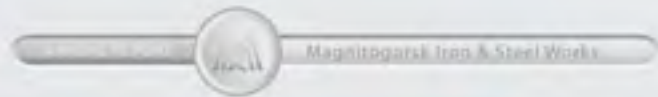


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LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders, colleagues and partners,

For Russia's iron and steel companies, 2013 was one of the most difficult years that the entire industry has experienced in recent memory. Despite the expansion of global production and increased consumption of steel products, Russia's crude steel production decreased by 1.5%. This was the result of a slowdown in the domestic economy and an adverse environment in external markets. The steel industry currently is in a situation where supply is significantly greater than demand, with surplus capacities, low prices; this has caused a decline in the profitability of steel producers.

MMK's crude steel production in 2013 was 11.941 million tonnes, a year-on-year decline of 2.5% from 2012. Output of rolled steel products amounted to 10.667 million tonnes, which was 3.3% less than in 2012. With its 17.4% share, however, MMK is still among Russia's leading steel producers.

Meanwhile, against this background of negative external factors, MMK was successful in implementing a strategy aimed at increasing its deliveries of steel products to domestic and CIS markets. For the reporting period, MMK's share of sales to these two regions increased to 84.3%, which is an all-time high for our Company. This achievement was possible due to our mastering of new, cost-effective and highly profitable types of steel products that are currently in demand, and we successfully managed to substitute imports with our own domestically produced products.

During the period from 2009 to 2012, we implemented a number of crucial investment projects, including 5,000 mm plate mill and a 2,000 mm cold-rolling mill complex. These high-tech manufacturing facilities enabled us to achieve one of our core strategic priorities, aimed at increasing our share of higher-value-added products. In 2013, our sales of galvanised steel products to the domestic market exceeded 2012 sales by 41%, colour-coated products by 9% and steel plate by 7%.

Our key objective is to utilise our existing manufacturing capacities to their full capacity.

As a consequence of the negative market environment, 2013 saw an interruption in the upward trend in MMK Group's revenue. Revenue declined by 12% year-on-year, amounting to USD 8,190 million. EBITDA for 2013 totalled USD1,223 million, a decrease of

10.3% from 2012. This was primarily caused by a reduction in prices for MMK's steel products. Nevertheless, the EBITDA margin remained at the 2012 level.

In the current economic situation, MMK's activities are aimed at continuous improvement of operating performance in order to enhance our competitiveness, reduce costs, mitigate risks and improve our business stability. At this time, the Company's success depends on its ability to respond promptly to any changes in the external environment and to maximise the efficiency of its internal business processes.

MMK remains a strong socially-oriented Company. We consider our projects in the area of corporate social responsibility to be long-term investments to lay the foundation for the Company's sustainable development. The most meaningful and important trends in our evolution are environmental protection and industrial safety, as well as the mitigation and prevention of any harmful environmental impact from our operations.

MMK remains a strategic partner for key domestic industries. In 2014, we will work diligently to maximise our operational and financial performance, thus contributing to the industrial development of the Russian Federation.

I would like to express my heartfelt gratitude to the Company's employees for their highly professional and conscientious work, for maintaining the traditions of previous generations of metallurgists and for creating new ones. In addition, I am truly grateful to our shareholders and partners for their continued trust and long-term cooperation. I sincerely hope that our country, the iron and steel industry and our Company will develop in a positive direction.

Victor F.
RASHNIKOV,
Chairman of the Board of Directors,
OJSC MMK





MAGNITOGORSK IRON & STEEL WORKS MAGNITOGORSK

STRATEGY AND IMPLEMENTATION: PROSPECTS FOR DEVELOPMENT OF THE WORKS COMPANY

MMK is implementing a strategy aimed at efficiency and quality growth.

The current situation in the steel industry is characterised by a significantly greater supply than demand, overcapacity, low prices and, consequently, a decrease in the profitability of steel companies.

We are aiming for continuous improvement in our operational efficiency in order to make us more competitive, reduce costs and risks and improve the sustainability of our business.

We have been achieving these goals by addressing the following strategic objectives:

1. 1. Targeting efficiency and outsourcing non-core businesses

In the existing market environment, our aim is to maximise the efficiency of our production processes.

We have been implementing task-oriented measures to reduce the costs of various stages of production, and to control the purchase prices of raw and auxiliary materials and other general running costs.

The implementation of programmes and activities aimed at reducing costs allowed us to achieve the following results in 2013:

Cash cost of slabs was 378 USD/t (down 6.2% compared to 2012);

Self-sufficiency in electric power generation equal to 71%;

The level of recovery of coke oven gas was 98.6%, while that of blast furnace gas was 97.5%;

Reduction of transportation costs through the use of alternative modes of transport (automobile, river transport and container shipping).

At present, the success of our Company's business depends on its ability to respond quickly to any changes in the external environment and to build the most efficient internal business processes.

Therefore, we have made it our mission to optimise the structure of our business and strengthen our focus on strategic objectives. Also, we have been taking measures to remove from the structure of the Group non-core assets and assets that are not integrated into the production processes.

2. 2. Maximum commercialisation of newly launched facilities

From 2009 through 2012, we implemented a number of key investment projects:

Start-up in 2009 of a 5,000 mm plate mill in Rolling Shop No 9 producing heavy plates for the pipe industry, shipbuilding, boiler manufacturers and bridge-building industries; Start-up in 2012 of a cold-rolling mill complex (Shop No 11), comprising a 2,000 mm cold-rolling mill, a continuous hot-dip galvanising line and a combined annealing and HD galvanising line for the production of cold-rolled sheets and coated sheets for car manufacturers and for the construction industry.

At present, we have technology-intensive production facilities that allow us to increase our output of higher-value-added products.

Our major task is to maximise the use of available capacities.

We succeeded in increasing our sales in 2013, compared to the previous year, of cold-rolled products by 10%, galvanised steel by 41% and heavy plates by 7%, mainly through sales to the construction and pipe industries.

Customer support group programme

One of our goals is to have closer relationships with our customers. In November 2013, we initiated a programme called Customer Support Group in order to meet the current and future needs of our customers in the car-making industry. The programme is aimed at receiving additional orders for steel products and efficiently utilising our capacity by decreasing the time needed to process customer orders, as well as the implementation of joint expansion programmes.

Scientific research

We have been looking for opportunities to expand our range of products and strengthen our position in certain high-margin segments in order to be able to respond flexibly to market needs and maintain our competitiveness at a high level.

We are working on the development of innovative products. In 2013, we completed five innovation projects, started production of 11 new product sizes, and produced and shipped about 4,900 t of innovative steel products.

Last year, our specialists carried out 54 R&D studies. The economic effect of R&D activities amounted to RUB 2,482.2 million.

In conjunction with the country's leading research institutions and in accordance with its Research and Development Programme, we carried out work on 78 subjects, 44 of which were completed. The estimated returns from R&D activities performed in 2013 are RUB 543 million. In 2013, the annual actual returns from R&D activities performed before 2013 were confirmed to be RUB 234 million.

In 2013, the second stage of a government contract to fine-tuning the technology for manufacturing high-strength flat steel (Prostor) was implemented.

In 2013, we obtained 42 patents on inventions and useful models and introduced 302 proposals for technical improvements. The financial impact of the implementation of such proposals amounted to more than RUB 17.4 million.

In 2013, we participated in three exhibitions of inventions and innovations: Archimedes (Moscow, April), Invento (Prague, July) and Metal Expo (Moscow, November), where we won three gold and three silver awards for our in-house proprietary developments.

Acceptance of steel products

In recent years, our Company has been successfully implementing a programme for the acceptance of steel products by Russian and foreign carmakers. As part of this programme, we worked on the approval of our products by Renault, Nissan, AvtoVAZ, Ford, GM and Volkswagen in 2013.

In 2014, our emphasis is on getting orders for approved items from Renault, getting approval from Nissan and proceeding to industrial supplies, and completing approval with OJSC AvtoVAZ. We also deem it important to proceed to industrial supplies of steel products for the manufacturing of Chevrolet-Niva cars (GM-Avtovaz), to continue to work with Ford on implementation and acceptance of high-strength steel grades, and to continue to cooperate with GM on approval of steel products for prospective car-manufacturing projects.

Implementation of this programme will allow us to increase our supply of steel products for the automotive industry and to enable our partners to carry out the further localisation of production and reduce their costs.

Certification of steel products

Certification of steel products is a guarantee for consumers that the quality meets Russian and international standards. To date, we have 30 certificates of conformity issued by such certification bodies as Mosstroisertifikatsiya, the Russian Maritime Register of Shipping, the Russian River Register, Lloyd's Register, Germanischer Lloyd, DNV, BV, ABS, TUV NORD Systems GmbH & Co. KG, and SGS.

The fact that we have these certificates extends our competitive advantage.

In 2013, we worked on the certification of steel products for the pipe industry, the production of building structures, the construction industry, carmakers, manufacturers of household appliances and shipbuilding.

3. Development of major segments of the value chain

Raw materials

To ensure stability in the supply of raw materials, which is important for managing costs, we have been focusing on several key areas:

1. Improving the efficiency of our own raw material assets: in 2013, we attained 36% self-sufficiency in coal concentrate (OJSC Belon) and 19% in iron ore.

2. Concluding long-term contracts and agreements (for a term of three to ten years) with suppliers of raw materials.

This allows us to reduce the risks posed by adverse changes in the supply of basic raw materials and thus to ensure optimum quality of feedstock and a steady supply.

3. Maximising the recovery of iron-containing waste as a replacement for commercial iron ore.

This activity is also important for reducing our burden on the environment. The volume of iron-containing waste recovered in 2013 reached 1.97 million tonnes (11% of the total consumption of iron ore).

Sales of steel products

We take advantage of every operational and technical opportunity to strengthen our position in our target markets.

In compliance with our strategy, our priority, in terms of our commercial policy, is the Russian market. Key consumers of our products in the domestic market have traditionally included metallurgical companies, including machine-building, pipe and automotive plants, and construction companies.

We have been strengthening our position in local markets by taking advantage of our geographical position and partner relations with major industry consumers, by offering a wide range of steel products and services and by developing new products to satisfy our customers' needs.

In order to maintain a stable and large share of the Russian market and to maintain profitability, we have set the following goals for ourselves:

- increasing sales to the Russian market. MMK's share of the domestic market is 17.1% (compared to 16.9% in 2012), our shipments rose to 7.8 million tonnes (compared to 7.5 million tonnes in 2012), while 73% of our shipments of products were sent to the domestic market;
- maintaining a balance between direct sales to large industry consumers and sales to the spot market;
- increasing our share of higher-value-added products, which account for 44% of shipments made by MMK to the Russian market (compared to 41% in 2012).

We have been able to expand our presence in the domestic market by developing MMK Trading House's network of branch offices and warehouses. In 2013, MMK Trading House's share of the market for Russian warehouse steel grew to 4%, and its share of sales to end users increased by 2% compared to 2012.

4. Sustainable development

Environment

- We view minimising the Company's impact on the environment as a strategic goal and a key element of our long-term sustainable growth. Production activities are carried out with due respect for MMK's environmental responsibility.
- In 2013, we implemented 26 technical activities (nine are in progress) to reduce and prevent our negative impact on the environment.
- In 2013, we achieved the following results in our priority areas of environmental activities:
- Total emissions into atmosphere declined by 221 tonnes;

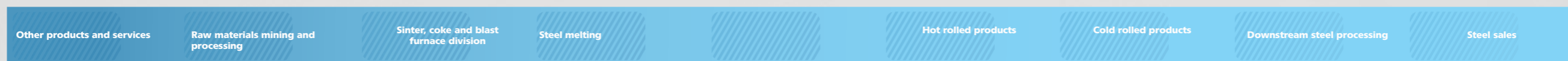
- Total effluent emissions decreased by 9,500 tonnes;
- 97% of total technical water consumption used recirculated water;
- 9.1 million tonnes of waste and slag was used for reclamation of exhausted ore mining pits from Magnitnaya Mountain;
- 2.4 million tonnes of industrial waste was used for the sintering process.

Labour safety

- One important area in terms of our development is ensuring that our production processes conform to the relevant labour, industrial and fire-safety requirements.
- MMK's system of industrial safety and labour protection has been certified for compliance with the requirements of OHSAS 18001:2007.
- In 2013, 73 activities were undertaken pursuant to the Labour Safety Agreement to improve working conditions.
- In the main areas of the operation of our industrial health and safety management system, we achieved the following results:
- accidents reduced by 50%;
- the number of incidents was reduced by 39%.



MMK GROUP STRUCTURE



In strategic terms, MMK sees itself as a vertically integrated steel group, having a level of efficiency expected of a global company. Its strategic objective is to be a leader among global steel companies with a comparable production output in terms of total shareholder returns.

Corporate strategy: MMK Group's value delivery through consistent growth and technological leadership.

Group's structure principles:

1. Focus on higher efficiency of the metallurgical business as the core business for the Group.
2. Identification of investment priorities pursuant to the Group's strategy.
3. Achievement of synergies through implementing new projects in the Group.

As of 31 December, 2013, the MMK Group comprised 88 companies and employed 56,088 people. The value of the Group's cumulative assets is USD 12.1 billion.





MAGNITOGORSK IRON & STEEL WORKS MAGNITOGORSK

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MAGNITOGORSK IRON & STEEL WORKS COMPANY BACKGROUND

Magnitnaya Mountain

Magnitogorsk Iron and Steel Works owes its existence to a unique iron ore deposit in Magnitnaya Mountain. Its reserves amounted to almost half a billion tonnes of high-quality iron ore, with iron content reaching 70%. The first research conducted on this unique deposit dates back to 1828. In the late 19th century, a state commission headed by D.I. Mendeleev surveyed the Ural Mountains upon an assignment from the Finance Ministry. In July 1899, the commission members made the first calculations of Magnitnaya Mountain's likely ore reserves.

Building of Magnitka

In May 1925, work on the design of the Magnitogorsk Works got under way in Sverdlovsk. In November 1926, approval was granted for a construction site at Magnitnaya Mountain. Construction work on the Magnitogorsk Iron and Steel Works was launched by resolution of a joint session of the Soviet of People's Commissars of the USSR and the Soviet of Labour and Defence of 17 January 1929.

Magnitogorsk Works was originally designed to be the largest steelmaking plant of the country. The first construction workers arrived at Magnitnaya Mountain on 10 March 1929. Magnitka was built in an unprecedentedly short period of time. On 31 January 1932, the first blast furnace was blown, with the first

tonne of hot metal produced on 1 February.

In August 1934, the first mill was put into operation at Magnitka, making products 500 mm long. Once this facility was commissioned, the Magnitogorsk Iron and Steel Works became the largest supplier of long products and an integrated steelmaking plant.

Using advanced overseas achievements, the first construction works at Magnitka soon gained their own unique experience. History had never seen industrial facilities of this scale built within such a tight timeframe before. For the first time anywhere in the world, a method for extracting iron ore in open pits was developed. This daring technical innovation allowed the Magnitogorsk mine to reach a production level of 5.5 million tonnes by 1936, which accounted for 20% of the total iron ore production in the USSR.

Home front workers to warriors

It is difficult to overestimate the importance of the Magnitogorsk Iron and Steel Works during World War II. Although MMK was originally built for the production of peacetime steel grades, and special steel grades used in the defence industry were not produced at MMK, during the war Magnitka became an armoured shield for the home country. On 23 July 1941, i.e. only one month after the Soviet Union entered the war, the first tonne of armoured steel was smelt in the third open-hearth furnace at MMK.

Along with the adoption of technology for manufacturing armoured steel, MMK also made preparations to roll armour plates. In order to accelerate the production of armour plates, it was decided to roll the plates using a blooming mill whose only purpose was to reduce steel ingots to produce square billets. This had never been done before anywhere in the world. Test armour plates were successfully produced using the blooming mill, and plants that were building tanks received armour plates from Magnitogorsk one month and a half earlier than requested by the government. Every third shell and the armour of every second tank were made from Magnitogorsk steel.

After the War

After World War II, MMK continued adopting new technologies, particularly those used for making low manganese hot metal and for casting hot metal. Thanks to these and other innovations, the operators of MMK's blast furnaces were able to use more of the blast furnaces' effective volume than was happening anywhere else in the country. The steelmaking division was also continuously developing. MMK put on stream new open-hearth furnaces, the number of which eventually reached 35. Several of them were the world's largest open-hearth furnaces, and they were designed by Magnitogorsk steelmaking engineers. In 1989, Magnitka set a record for the plant by producing 16 million tonnes of steel per year.

Entering the market

In 1992, the Magnitogorsk Iron and Steel Works became an open joint-stock company under Russia's new privatization programme. MMK's key goal at this stage was to revamp and modernise production and achieve a state-of-the-art level. This was necessary, since there had been significant – 89% – wear of capital assets by 1991. The early 1990s were a period of economic downturn in the country, when most large steel consumers (first of all, companies in the engineering and defence industries) were facing a possible shutdown. In 1996, MMK's annual output of rolled steel dropped to 5.8 million tonnes, i.e. half as much as in the pre-reform period. The Company had to change its focus to exporting supplies, the share of which sometimes reached 70% of total output.

During this period, MMK, the largest industrial giant of the Soviet era, was adjusting to new market conditions and conducting step-by-step technical modernisation. In 1994, the largest 2,000 mm hot-rolling mill producing about 5 m tpa of hot-rolled sheets was commissioned. In 1999, a third converter was put into operation in the BOF Shop, along with a coke gas recovery shop. Substantial renovations were carried out in the blast furnace and sinter production divisions. These and other measures made a significant contribution to the improvement of the environmental situation in Magnitogorsk.

New milestones for Magnitka

In 1997, steel production started increasing for the first time since the collapse of the USSR. Subsequent years also saw a steady increase in output. The Company paid special attention to programmes aimed at technical modernisation and revamping. The priority was given to the rolling division, as the development of this part of the Company was the most consistent, with a strategy aimed at the production of downstream and high-value-added products. In accordance with this strategy, a long-term investment programme was approved that included the following key projects:

- Revamping of cold-rolled sheet production in Rolling Shop No 5, including the commissioning of a 1,700 mm cold-rolling mill with a capacity of 800 thousand tpa (2002), revamping of the heat-treatment and pickling sections of the shop (2003-2004), etc;
- Construction of downstream facilities, including two continuous hot-dip galvanising lines (2002 and 2008) and two colour-coating lines (2004 and 2009);
- Large-scale revamping of steelmaking facilities, with a complete transition to continuous steel casting and the replacement of open-hearth furnaces with electric arc furnaces (2004-2006);
- Fundamental revamping of the long-products division with the complete replacement of old long-products mills with state-of-the-art equipment (2005-2006);
- Revamping of the 2,000 mm hot-rolling mill in Rolling Shop No 10, including replacement of the fourth reheating furnace, modernisation of mechanical equipment and revamping of the mill's automated-process control system;
- Construction of a state-of-the-art plate production facility, including a 5,000mm plate mill, continuous caster No 6 and secondary steel treatment units in the BOF Shop (2009-2010);
- Construction of a new multi-purpose cold-rolling complex (2,000 mm cold-rolling mill) to produce high-quality automotive sheets and rolled steel for white goods' manufacturers (2011-2012).

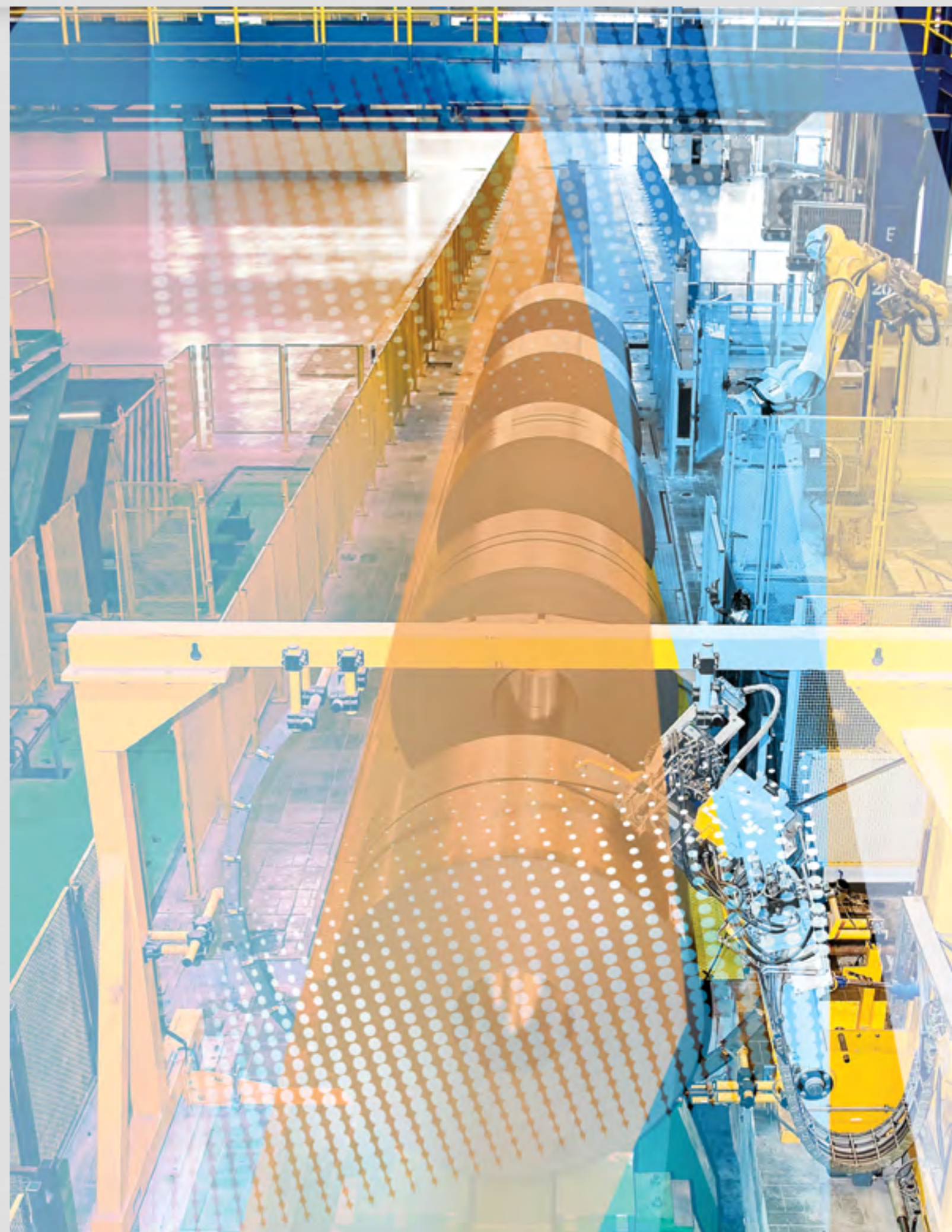
MMK is currently revamping its 2,500 mm hot-rolling mill in Rolling Shop No 4 on its Magnitogorsk site.

In recent years, the Company has been pursuing an integration policy as part of its development strategy. As early as 2002, the Magnitogorsk Iron and Steel Works acquired a majority interest in two Magnitogorsk plants (sizing and metalware plants) specialising in the production of metalware items. These plants were later consolidated into OJSC Magnitogorsk Metalware and Sizing Plant MMK-METIZ, one of the largest metalware plants in the country.

The establishment of its own raw materials base is a key part of MMK's integration policy. In order to achieve this goal, Belon, a coal company, and Profit, a scrap-collecting and supply company, became members of MMK Group.

A steel service centre and a stamping plant have been established in St Petersburg to expand downstream processing of steel products.

In 2011, in order to reinforce its positions in the Middle East, a key export region, the Company completed construction of a steelmaking plant in Turkey. MMK Metalurji is equipped with state-of-the-art facilities, most of which were supplied by Danieli.



LETTER FROM THE GENERAL DIRECTOR OF OJSC MMK

Dear shareholders, colleagues and partners,

As a result of the wider macroeconomic environment, the previous year was a challenging one for MMK. Last year, the major trend throughout the entire steel industry was that supply significantly outstripped demand, which resulted in falling prices. Nevertheless, we did not dramatise the situation but, instead, accepted the market reality as a new environment for our business. As a result, we managed to accumulate useful experience and achieve tangible results.

Once again, our Company maintained its position as a leader in the domestic steel industry and joined the ranks of the top global steelmakers. Today, MMK Group is a cutting-edge iron and steel complex that meets the highest global standards. We have high-tech manufacturing facilities at our disposal, enabling us to produce a wide range of higher-value-added products.

Following the commissioning of new production facilities (the 5,000 mm plate mill and the 2,000 mm cold-rolling mill complex), our Company increased its higher-value-added (HVA) output. In 2013, MMK Group boosted its HVA production by 9.3% compared to 2012, exceeding 5.3 million tonnes. The share of HVA products in total output for 2013 increased to 48%, an increase of 7 p.p. over the 2012 level.

Sales of MMK's steel products to the Russian and CIS markets increased in 2013 by 6.4%, reaching 9.0 million tonnes. Moreover, the share of sales in these markets reached an all-time high of 84.3%.

As of the end of 2013, MMK remained the leader among Russian companies in terms of steel shipments to domestic consumers. The Company's domestic market share increased to 17.1%, up from 16.9% in 2012. Export sales in 2013 decreased by 35%. This was mainly due to MMK's strategy aimed at increasing sales to the Russian and CIS markets.

MMK Group slightly decreased its crude steel production and commercial product output, influenced by the adverse market conditions that prevailed in 2013. Crude steel production amounted to more than 11.9 million tonnes (down 8.4% from 2012), and commercial production reached about 11 million tonnes (down 7.9% from 2012). Hardware production increased by 8.3% to 0.535 million tonnes.

For similar reasons, MMK Group's revenue decreased by 12% from 2012 levels, amounting to USD 8,190 million. EBITDA for 2013 was USD1,223 million (down 10.3% in comparison with 2012). The Group's EBITDA margin remained at the 2012 level.

In the course of the year, the Company proceeded with its implementation of a number of important projects, including the renovation of Blast Furnace No 6 and the upgrading of the 2,500mm hot-rolling mill.

MMK Group is a socially oriented Company. In 2013, we fully financed all of our Company's social programmes. In the reporting year, RUB 54.2 million was allocated for the birth incentive programme, as well as for maternity support and support for large families; RUB 90 million for the promotion of sports and a healthy lifestyle; RUB 154 million for retired employees' social support; and RUB 11 million for social support for disabled people. In May 2013, the pay rates and salaries of MMK employees increased by 7.5%, bringing the average monthly wage to RUB 45,500 (which still remains one of the highest in the domestic industry). The Company continues to be methodical in its efforts aimed at ensuring a safe working environment.

The 2013 results have demonstrated that our Company has the potential to achieve the level of production we used to have previously and even to improve on that standard. Our fundamental strategic priority can be described with just a single word – efficiency. It is efficiency that should be the cornerstone of our activities. Under existing conditions, success can be achieved only through a maximum degree of discipline and our ability to respond promptly to an evolving business environment.

Among our Company's inherent features are our business pragmatism and ability to look to the future. In addition, the Company has at its disposal one of the best production platforms in the industry. And last but not least, of course, one must mention our highly-qualified personnel, from labourers right up through to the Company's management.

I would like to extend my sincere thanks to all employees of MMK Group for their work in 2013, for their professionalism, responsibility and support. I would like to express my appreciation to all our partners for their effective and reliable cooperation. May you achieve success in all of your future endeavours!

Pavel Shilyaev,
General Director of OJSC MMK



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MAGNITOGORSK IRON & STEEL WORKS PRODUCTION

A BRIEF DESCRIPTION OF MMK GROUP'S KEY PRODUCTS

OJSC MMK

FLAT PRODUCTS

- **Slabs** are used for the production of hot-rolled flat steel in sheets, plates and coils.
- **Hot-rolled** coils are used for the production of cold-rolled coils and narrow strips and electric-welded pipes.
- **Hot-rolled** sheets and plates are used for the production of ship hulls, bridges and other structures, boilers and high-pressure vessels, machinery and machine parts and other items.
- **Cold-rolled** coils are used for the production of machinery and machine parts, including hulls, welded pipes and other items.
- **Cold-rolled** sheets are used for the production of machinery and machine parts, white goods, consumer goods and other items.
- **Black plates (sheets and coils)** are used for the production of tin plates, thin-gauge cold-rolled narrow strips (in coils) and consumer goods.
- **Plates** are used for the production of pipe mains, ships, high-pressure vessels, bridge structures, etc.
- **Cold-rolled narrow strips** are used for the production of machinery and machine parts, including wheel discs, springs and band saws, cartridges, furniture tubes, bearings, consumer goods and other items, and also for the strapping and binding of cargo.

LONG PRODUCTS

- **Billets** are used for the production of long products.
- **Square bars** are used for the production of railway fasteners and steel structures.
- **Wire rod** is used for production of wire, steel ropes, steel wire cord, telegraph wires and other metalware items and also for the packing and banding of lumber, steel and other items.
- **Round bars** are used for the production of machinery and machine parts and fasteners.
- **Strips** are used for the production of machinery and machine parts and steel structures.
- **Hexagonal bars** are used for the production of fasteners.
- **Die-rolled and plain bars** are used for construction to reinforce concrete structures.

- **Equal and unequal angles** are used for the production of steel structures, machine frames, etc.
- **Channels** are used for the production of steel structures.
- **Beams** are used for the production of steel structures.
- **Special sections** are used for mine reinforcement and the production of machinery and machine parts.

DOWNSTREAM PRODUCTS

- **Galvanised and colour-coated products** are used for the production of cold-formed sections and roof tiles for the construction and finishing of building facades, machinery and machine parts, white goods, consumer goods, shipping packaging, etc.
- **Cold-formed sections** are used for the production of shells, individual parts of railway cars, body frames, steel structures and load-bearing supports.
- **Tinplate** is used for the production of containers, vessels, cans and covers and other packages. OJSC MMK is the only producer of tinplate in the Russian Federation.
- **Electric-welded round and square pipes**, including galvanised ones, are used as load-bearing structures in the construction industry for water and gas pipelines in housing and utilities infrastructure.



OJSC MMK-METIZ

SIZED ROLLED PRODUCTS

- Round or hexagonal: used for the production of machinery and machine parts, springs and fasteners.

COLD-ROLLED STRIPS

- Used for the production of machinery and machine parts, springs and band saws, cartridges, furniture tubes, bearings, consumer goods and other metalware items, and also for the strapping and binding of items.

WIRE

- Used for the production of nails, steel ropes, springs, mesh, electrodes, consumer goods, cable wires and cables, road barriers, and also for welding, packing and strapping of lumber, metal and other items.

REBARS

- Die-rolled or plain **reinforcement wire** is used in the construction industry for reinforcement of concrete structures.
- **Reinforcement ropes** are used in the construction industry for the production of prestressed reinforced concrete structures.
- **High-strength stress-relieved rebars** (9.6mm in diameter) are used for the production of railway sleepers using prestressed reinforced concrete.

MESH

Used for road barriers, heat insulation, reinforcement of mining activities, screening and filtering and in the construction industry for reinforcement of concrete structures.

FASTENERS

- **Railway fasteners** are used in track structures when building railroads.
- **Mechanical fasteners** are used for fastening parts and units of machinery and mechanisms and various structures.
- **High-strength fasteners** are used when constructing bridges, power transmission lines and other steel structures.

ELECTRODES

Used in the construction industry to weld various metal structures.

ROPES

- Used in the construction and iron and steel industries on cranes, earth-moving vehicles, mine and ship hoists, excavators, aerial conveyors, tow and light alloy attachments and for lift production.
- In 2013, the activities of OJSC Magnitogorsk Cement and Refractory Plant were focused on the production of high-quality and competitive products that meet all the demands of potential customers.

OJSC Magnitogorsk Cement and Refractory Plant

CEMENT

- Slag Portland cement M300 and M400 is used for construction mortars, the production of concrete- and reinforced-concrete-assembled products subject to steaming, aboveground, underground and underwater cast-in-place and reinforced-concrete structures exposed to fresh and mineral water;

- Portland cement M400D0 and M400D20 is used for the production of concrete- and reinforced-concrete-assembled and cast-in-place structures designed for heavy-duty operations;
- Portland cement M500D0 is used for the production of concrete- and reinforced-concrete-assembled structures designed for heavy-duty operations;
- Sulfate-resistant Portland cement M400D0 is used for the production of concrete and reinforced-concrete structures for waterworks and other facilities subject to periodic freezing and thawing;
- Portland cement M50 D0N is used for airdrome and road construction.

FERRUGINOUS DOLOMITE

- Used as a slag-forming material in oxygen converters and for maintaining the working condition of a converter's lining.

Belon Group

COKING COAL CONCENTRATE

- Used in the iron and steel industry for the production of coke (high-quality smokeless fuel serving as the heat source for iron reduction and as a loosening agent for the iron-making charge).

LLC Ogneupor

- Mullite-silica refractories
- Fireclay refractories
- Periclase-carbonaceous refractories
- Refractory concrete

Used for the refractory lining of various thermal generating units, ladles and the backup lining of steelmaking facilities.

JSC MRK

- Customised equipment and spare parts for steelmaking facilities produced by iron or steel casting, forging, pressing, building up, heat treatment and machining.

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Summary description of OJSC MMK's production process

Magnitogorsk Iron and Steel Works is an integrated steelmaking plant encompassing production divisions of the entire technological chain from ore dressing to downstream production.

The Company has its own iron ore production, which partially meets the Company's requirements for iron ore raw materials. In addition, the Company also has divisions for sinter production and coke and chemical by-products.

The first and base production step is making iron. Produced hot metal is transported to an oxygen converter and electric arc furnace shops where it is used to smelt steel through the addition of a metallic charge.

Slabs and billets are produced by means of smelting and casting steel in continuous casting machines and further used for manufacturing flat and long products. Flat steel products account for 70% of the Company's output. A portion of the cold-rolled steel is galvanised and used for the production of galvanised pipes and cold-formed sections. MMK is the only tinplate producer in Russia. The Company launched production of colour-coated steel for the engineering and construction industries several years ago. The Company's long-product mix includes rebars, wire rod, sections and heavy-gauge wire produced by three state-of-the-art long-product mills commissioned in 2005-2006.

Sinter production

The core technological process includes the sintering of prepared raw materials consisting of iron ore concentrate, iron-bearing wastes and flux or limestone, and grinding them down to obtain small granules. The final product, called sinter, is used as a key raw material in blast furnaces. Sinter production comprises three sinter plants (13 sintering machines with a total sintering area of about 940 m²).

Coke and chemical by-product production

Coke is produced in nine coke oven batteries that have a maximum output of 5.8 m tpa of 6% moisture coke.

Ninety-two per cent of the produced coke covers the requirements of the BF Shop, while 8% is supplied to companies in the non-ferrous-metals, chemical and engineering industries.

Coke gas is processed in two recovery shops into valuable by-products such as benzene, ammonium sulphate, sulphur and tar pitch. Following preparation in the recovery shops, coal tar pitch is processed into black pitch, anthracene oil, naphthalene and absorbent oil.

Blast furnace production

In order to make iron, iron ore raw materials comprising sinter, pellets and coke are charged in eight blast furnaces with a total usable volume of 12,180 m³.

Each furnace is tapped approximately 15 times a day. Hot metal is poured into hot metal ladle cars and mixers and is transferred to the BOF Shop and EAF Shop for the production of steel. Eventual slag is poured into slag cars and is transported for further processing.

Steelmaking division

Hot metal is the key component in the production of steel in the BOF Shop. All MMK's steel grades are produced using oxygen converters, electric arc furnaces and one twin-bath steel-melting unit.

BOF Shop

Prior to the commissioning of a 5,000 mm plate mill, the Shop was equipped with the following main process equipment:

- a desulphurisation unit for hot-metal desulphurisation in the pouring ladle;
- three oxygen converters with a capacity of 370 tonnes each;
- three secondary metallurgy units for treating the steel in the pouring ladle;
- a combined vacuum treatment plant;
- a twin-ladle furnace;
- a twin unit for arc heating of steel in the pouring ladle;
- four slab bow type radial CCMs.

In 2009-10, in order to provide the 5,000 mm mill with high-quality tubular billets, the BOF Shop saw the commissioning of the one-strand CCM No 6, a twin-ladle furnace combined with a vacuum treatment plant. All the equipment is arranged as one unified process line. The production capacity of the BOF Shop is around 10 million tonnes of crude steel per year.

EAF Shop

The EAF Shop comprises three steel-melting units – two electric arc furnaces and one twin-bath steel-melting unit (nominal heat size 180 t) – two continuous billet CCMs and one continuous slab CCM, two ladle furnaces, a steel refining unit and a steel homogenisation blowing unit.

The production capacity of the EAF Shop is around 4.3 million tonnes of crude steel per year.

Rolling Division

Rolling shops produce two main types of rolled products: flat products and long products. MMK's Flat Products Division consists of four hot-rolling shops, four cold-rolling shops and a coating shop.

Rolling Shop

Main equipment: a 2,350 mm hot-rolling mill (sheet-by-sheet roll-out of slabs with a weight of up to 4.5 tonnes) and a 4,500 mm hot-rolling mill (30.0-160.0 mm thick and up to 2,500 mm wide sheet-by-sheet rolling).

Rolling Shop No 4

Main equipment: a continuous 2,500-mm-wide strip hot-rolling mill and three cut-to-length lines.

Rolling Shop No 9

Main equipment: a 5,000 mm plate hot-rolling mill (production capacity of approx. 1.5 million t/y, including around 0.3 million t/y of heat-treated plate).

Rolling Shop No 10

Main equipment: a 2,000-mm-wide strip continuous hot-rolling mill.

Rolling Shop No 3

Rolling Shop No 3 is currently the largest tinplate producer in Russia.

Main equipment: a five-stand 1,200 mm cold-rolling mill for the production of tinplate, galvanised sheets and cold-rolled sheets; two 1,200 mm skin-pass mills for the treatment of tinplate and cold-rolled sheets; one continuous annealing line; three electrolytic cleaning lines; two cut-to-length lines; one slitting line; one electro-tinning line; one strip preparation line and a continuous hot-dip galvanising line.

Rolling Shop No 5

Pickling section: two pickling lines (Pickling Line No 1 and Pickling Line No 2).

Rolling section: a 2500 mm cold-rolling mill, a cold-rolling reversing mill, two skin-pass mills.

Heat-treatment section: nitrogen and hydrogen bell-type furnaces.

Finishing section: two cutting lines (CL-2, 3);

four slitting lines (Nos 4, 5, 8, 9).

Rolling Shop No 8

Section for the production of cold-formed sections and longitudinal electro-welded pipes: a slitting line, four section-bending mills, three tubular mills and a galvanising line.

Section for the production of cold-and hot-rolled bands: a coil-joining line, a continuous pickling line, a five-stand 630 mm mill, a heat-treatment section (45 bell-type furnaces), a two-stand 630 mm skin-pass mill, five slitting lines.

Rolling Shop No 11

Main equipment: a continuous hydrochloric acid turbulent pickling line combined with a five-stand cold-rolling tandem mill, a hot-dip galvanising line, a combined continuous annealing/hot-dip galvanising line.

This complex is mainly intended for the production of high-quality cold-rolled and galvanised internal and external parts for the automotive industry, manufacturers of a white of goods and the construction industry.

Coating Shop

This shop produces hot-dip galvanised products, colour-coated products and electrolytic tinplate.

Main equipment: an electrolytic tinning line, cut-to-length lines (Nos 1 and 2), two hot-dip galvanising lines (HDGL Nos 1 and 2), a cut-to-length line for galvanised and colour-coated strips (No 3) and two colour-coating lines (CCL Nos 1 and 2).

Long-Products Shop

Main equipment: continuous section rolling mills 450, 370 and 170.





Information on the conditions and degree of utilisation of OJSC MMK's production capacities and the main companies of the Group

MMK Group key production indicators

Products	2010	2011	2012	2013
	thousands of tonnes			
MMK Group steel products	11 419	12 195	13 037	11 941
MMK steel products	11 419	11 724	12 247	11 941
MMK Metalurji steel products	-	471	790	0
MMK Group commercial products*	10 409	11 158	11 936	11 060
Slabs and billets	209	157	48	9
Long products	1 065	1 499	1 739	1 814
Hot-rolled flat products	5 610	5 896	5 756	4 707
High-value-added products, including:	3 968	4 063	4 880	5 336
Plates (5,000 mm plate mill)	943	899	799	843
Cold-rolled flat products	1 116	1 027	1 365	1 509
Metalware	450	465	493	535
Downstream products, including:	1 458	1 672	2 222	2 448
Galvanised products	629	719	946	1 271
Colour-coated products	241	413	653	683
Other products (cold-formed sections, tinplate, etc.)	587	540	622	494
Share of high-value-added products in MMK Group's production output	38%	36%	41%	48%
Coal concentrate (from own coal)	2 960	3 216	3 325	2 858

* MMK-Metiz and MMK Metalurji products made with MMK steel are not included in the Group's commercial products

Actual production and capacity utilisation at OJSC MMK

Key production divisions	Key facilities	2013 production capacity based on actual product mix	2010	2011	2012	Capacity utilisation in 2013
			millions of tonnes			%
Coke and Chemical By-Products Division (6% humidity)	9 oven batteries	5.82	5.39	5.52	5.19	89%
Sinter production	3 sinter plants	11.20	11.32	11.28	11.25	100%
Hot-metal production	8 furnaces	10.12	9.50	10.12	9.59	95%
Steel production in the BOF shop	3 converters	10.05	9.56	9.53	9.49	94%
Steel production in the EAF shop	2 furnaces	3.18	1.32	1.68	1.59	50%
Twin-bath steel-melting unit	1 unit	1.09	0.85	1.03	0.86	78%
Rolled-products division	HR products	13.58	11.17	11.81	11.58	85%
Long-products division	3 long-product mills	1.90	1.50	1.75	1.83	96%
Production of hot-rolled sheets and coils	5 mills	11.68	9.67	10.06	9.76	84%
Production of cold-rolled sheets and coils	4 mills	4.47	2.09	2.69	3.26	72%
Production of tinplate	2 lines	0.18	0.14	0.15	0.15	87%
Production of galvanised products	4 lines	1.68	0.82	1.01	1.39	83%
Production of colour-coated products	2 lines	0.40	0.29	0.33	0.38	94%
Production of electric-welded pipes	3 lines	0.11	0.05	0.09	0.08	74%



OJSC MMK-METIZ key performance indicators

Key production divisions	Production, tonnes				2013	
	2010	2011	2012	2013	Production capacities, t	Capacity utilisation, %
Sizing press shop*	24 677	29 605	22 604	64 829	150 516	43%
Sizing shop	64 024	62 138	65 048	61 709	226 356	27%
Nail shop*	30 418	29 082	31 225			
Steel wire shop	159 366	162 542	231 598	273 751	366 960	75%
Cold-rolled band shop	105 766	105 472	62 121	53 744	320 136	17%
Electrode shop	12 802	13 332	14 886	10 188	24 456	42%
Steel wire and rope shop	52 978	62 560	65 882	70 765	134 232	53%
Total	450 031	464 732	493 364	534 985	1 222 656	44%

* In 2013, the Nail Shop was incorporated into the Sizing Press Shop.

OJSC Magnitogorsk Cement and Refractory Plant key performance indicators

Key production divisions	Production, thousands of tonnes				2013	
	2010	2011	2012	2013	Production capacities, t	Capacity utilisation, %
Production of cement	574	577	624	673	700	96%
Production of ferruginised dolomite	411	462	465	463	510	91%

MMK-Metalurji key performance indicators

Key production divisions	Key facilities	Production, tonnes				2013	
		2010	2011	2012	2013	Production capacities, t	Capacity utilisation, %
Production site in Iskenderun	Electric arc furnace		470 885	790 063		2 280 000	
	Continuous casting machine		431 537	761 695		2 257 200	
	Hot-rolling mill		415 748	740 363		2 208 700	
	Continuous pickling line	8 744	412 307	576 802	557 723	1 165 000	48%
	Cold-rolling mill	6 493	382 500	552 241	503 779	759 000	66%
	HDGL	51 877	271 508	313 750	314 183	433 500	72%
	CCL	39 415	112 905	172 376	149 228	201 500	74%
	Cut-to-length line	90 653	44 969	32 493	32 778	230 000	14%
	Combined cutting line	15 210	42 650	40 328	44 736	110 000	41%
	Production site and steel service centre in Istanbul	HDGL		89 010	287 348	284 740	433 500
CCL			24 902	161 181	154 590	201 500	77%
Cut-to-length line		12 408	22 113	2 151	17 198	230 000	7%
Combined cutting line		384	13 896	42 696	38 944	110 000	35%



Belon Group key performance indicators

Key indicators	Key facilities	2010	2011	2012	2013
Drifting volume, running metres	Key facilities	16 012	22 795	24 569	22 044
	Total:	5 258	7 862	9 268	8 424
	Chertinskaya-Koksovaya Mine	4 975	4 894	4 423	2 608
	Chertinskaya-Yuzhnaya Mine	5 779	10 039	10 878	11 012
Stripping operations, thousands of m³	Kostromovskaya Mine	12 983	8 826	9 006	5 351
	Novobachatsky Open-Pit Mine **	4 207	4 075	3 951	3 468
	Total:	1 271	1 127	1 339	1 266
Production, thousands of tonnes	Chertinskaya-Koksovaya Mine	329	508	505	587
	Chertinskaya-Yuzhnaya Mine	2 014	1 980	1 761	1 434
	Kostromovskaya Mine	519	421	346	180
	Novobachatsky Open-Pit Mine **	3 745	3 964	3 325	2 858
Production of coal concentrate, thousands of tonnes	Novobachatsky Open-Pit Mine **	3 745	3 964	3 325	2 858
Concentrate yield, %	Belovskaya Concentrating Plant	67.9%	64.7%	61.1%	57.7%

* extraction and production of steam coal concentrate was withdrawn from the Belon Group in 2010

** The Novobachatsky Open-Pit Mine was withdrawn from the Belon Group at the end of 2013

Information on QMS functioning in 2013

At OJSC MMK, quality management is an ongoing activity that is aimed at quality improvement through enhancing the engineering of our products, better workmanship, and improving elements of the production process. Quality management includes oversight, accounting, analysis and decision-making.

MMK's products, manufactured and shipped to domestic and international markets, correspond to the requirements of the relevant regulatory documents and meet the expectations of consumers.

MMK's Quality Management System is designed to manage the Company in terms of quality. The system complies with the requirements of international standards ISO 9001, ISO/TU 16949, and STO Gazprom 9001.

The system was first certified in 2002 by RW TUV (Germany).

MMK has developed a Quality Policy that defines the strategy and activities for all employees.

Quality management is an important area for MMK's general policy for top and mid-level managers and for each employee at his/her workplace.

MMK's main strategic goal in terms of quality is the development and production of high-quality, competitive steel products that meet the needs and expectations of Russian and foreign consumers. Each year, pursuant to the Quality Policy, MMK sets quality objectives for senior management and for each division and monitors the fulfilment thereof.

MMK's senior management analyses, at

the meetings of the Quality Committee on an annual basis, the Quality Management System (QMS) and how it has been functioning in order to get assurance that the QMS is always available and is adequate, effective and efficient for achieving the Company's goals and objectives in the field of quality. This analysis includes data on the achievement of MMK's quality objectives and an assessment of losses due to poor quality, which provides evidence that the Company has fulfilled its objective of providing satisfactory and high-quality products to its customers.

Based on the results of the QMS analysis conducted by senior management, activities aimed at addressing identified problems and improving the efficiency and effectiveness of the QMS are planned.

MMK holds the following compliance certificates, as affirmed in 2013 by the relevant certification authorities:

- ISO 9001 standard for design, development and manufacture of metallic charge of ferrous-metals scrap, chemical products, limestone, lime, dolomite, crushed stone, clay, sinter, pig iron, continuously cast slabs for hot rolling, steel billets, heavy-gauge hot-rolled plate, hot-rolled and cold-rolled coils, strips and sheets, cold-rolled and hot-rolled band, tinplate, galvanised and colour-coated products, electro-welded pipes and galvanised pipes, roll-formed sections, and long products (TUV NORD CERT (Germany));
- ISO/TU 16949 standard for design, development and manufacture of cold-rolled and hot-rolled low-carbon coils and sheets, hot-rolled and cold-rolled band of carbon and low-carbon steel, galvanised rolled products of low-carbon and super-low-carbon steel and treatment of hot-rolled band for the automotive industry (TUV NORD CERT (Germany));
- Gazprom STO 9001 standard for design, development and manufacture of continuously cast slabs for hot rolling, hot-rolled coils and sheets, heavy-gauge hot-rolled plates and heat-treated steel for OJSC Gazprom and its suppliers (PARITET LLC (Russia)).

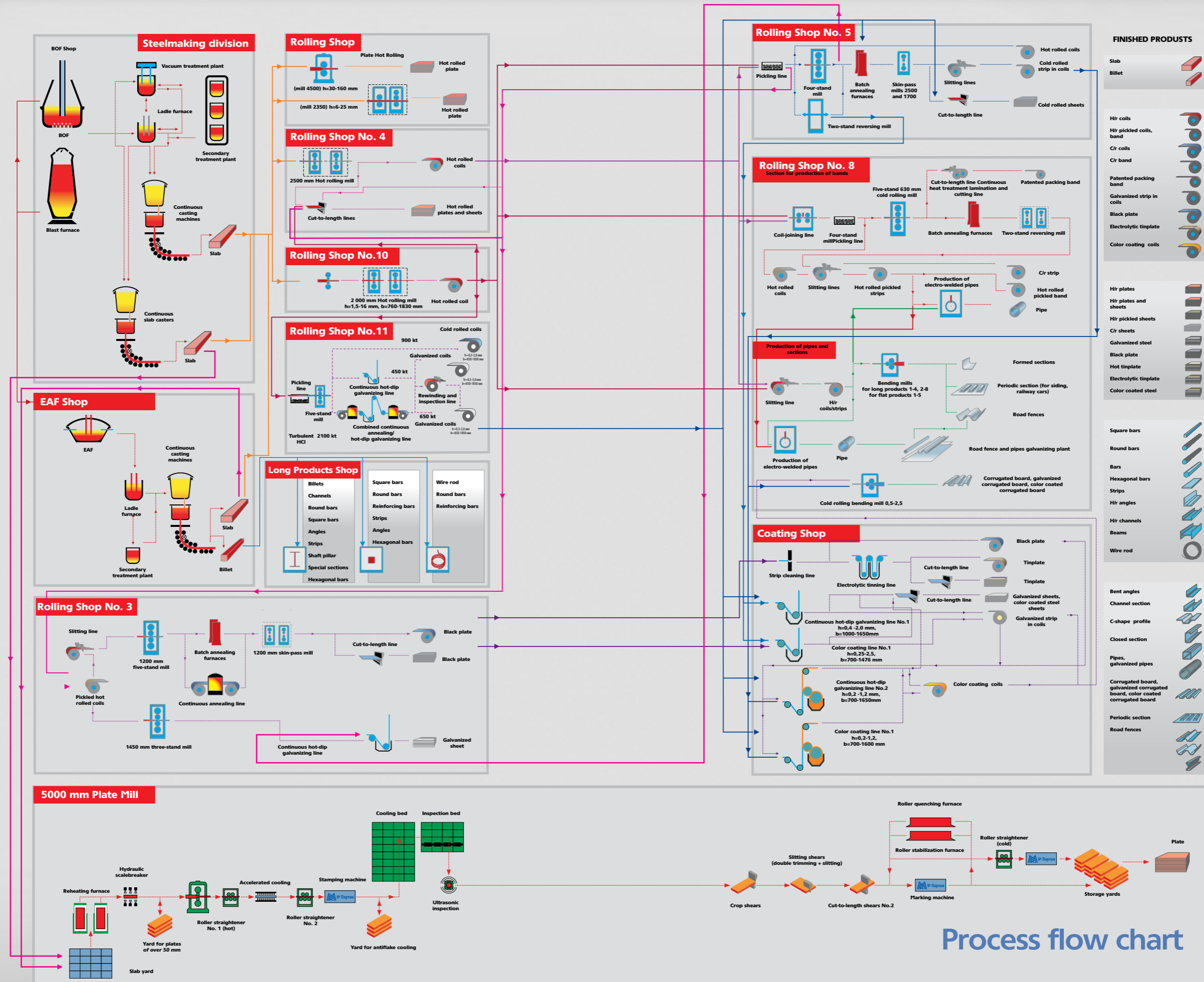
MMK also holds 30 compliance certificates for products issued by the following certification authorities: Mosstroisertifikatsiya, the Russian Maritime Register of Shipping, Lloyd's Register, Germanischer Lloyd, DNV, BV, ABS, TUV NORD Systems GmbH & Co. KG, and SGS.

The year 2013 saw:

- recertification (due to the expiry of the previous certificate) of products for compliance with the European Directive for pressure vessels;
- supervisory inspections of certified hot-rolled structural shapes and sections, strips and sheets of structural steel according to the standard DIN EN 10025-2, -3, -4 for the right to label products with 'CE' in accordance with European Directive 93/68/EWG;
- a second inspection of the state of production of reinforcing bars (six certificates) and hot-rolled strips (one certificate);
- a second inspection of the state of production of longitudinal electric-welded pipes in Rolling Shop No 8 (three certificates);
- testing of the samples of cold-rolled hot-dip galvanised-steel products in the SGS laboratory for compliance with the requirements of RoHS and REACH; receipt of seven certificates from SGS for 162 units (substances);
- receipt of new certificates of conformity for shipbuilding steel from bodies in the ABS certification body.

In 2014, there are plans:

- to certify the weldable reinforcing die-rolled sections A500 GOST R 52544 for reinforcement of armoured concrete structures with nominal diameters of 8-25 mm and 28-32 mm;
- to certify with SGS and to test samples of cold-rolled hot-dip galvanised and hot-rolled products for compliance with the RoHS and REACH;
- to expand the scope of certification of the product mix of shipbuilding steel to E40 in all certification bodies.



Process flow chart

MMK's innovation activities in 2013

In recent years, more stringent demands related to the quality and competitiveness of our products has necessitated the development of innovative types of products and the expansion of our services. The solutions to these tasks are reflected in the results of MMK's research and development activities.

MMK pays great attention to the introduction of modern production technologies and the development of innovative products.

According to the rating review 'TOP 50 innovative companies in Russia', conducted by the Institute for Socio-economic Modernisation, MMK occupies 29th place, which is the best among all companies in Russia's ferrous-metals industry.

In 2013, RUB 134.6 million was spent on research, engineering, R&D, development and exploratory work. Our R&D in 2013 resulted in 42 patents for inventions and useful models, while 302 rationalisation proposals were introduced.

Innovative products

One of the priorities in the Company is mastering new types of products. MMK carries out systematic work on the development of an advanced product mix. In 2013, MMK mastered the production of rolled products for the manufacture of corrosion-resistant electro-welded pipes for transportation of high-sulphur hydrocarbons, and introduced a technological process for the production of heat-strengthened rebar of At800 strength class Nos 12 and 14 for the construction industry. Work is also underway for mastering the production of rolled products of D500W, E500W, F500W steel grades with thicknesses of 30 mm, 50 mm and 60 mm for the manufacture of the structural components of nuclear icebreakers and ice-rated vessels.

As part of the programme for the introduction of innovative products, 2013 saw the completion of five innovative projects, the mastering of 11 new products of different grades and sizes, and the production and shipment of approximately 4,900 tonnes of new types of steel products. In 2014, within the framework of the approved programme, MMK will continue development of nine unfinished projects along with six new ones.

Automotive industry

As part of the certification of MMK's rolled products with Russian (AvtoVAZ and KamAZ) and foreign automakers (including Ford Motor Company, General Motors, Volkswagen, Renault-Nissan), pilot batches of rolled-steel products were sent for approval. MMK's steel products received approval from all automakers.

With a view to meeting the requirements of the automotive industry, MMK is mastering new types of products:

- 1) Dual-phase steel of A368A13 grade for the manufacture of internal parts of vehicles;
- 2) Phosphate-coated rolled products;
- 3) High-strength rolled products of S600MC grade for the manufacture of the critical parts of trucks;
- 4) Annealed rolled products of 006/IF with BOCB-T, BOCB drawing quality; and
- 5) Hot-dip galvanised rolled products with the highest quality C Group surface.

Customer-related activities

MMK pays special attention to the development of relations with its customers. The Company is constantly striving to enhance its quality, increase the volume of products supplied, secure the timely shipment of orders, and review technical issues related to the manufacture of steel products.

In addition, MMK has formed a group to provide customers with technical support. The main tasks of this project relate to establishing a system for:

- 1) Resolving issues arising in the course of the processing of steel by customers;
- 2) Comprehensive support and tracking of products;
- 3) Searching for, and development of, new products;
- 4) Technical consultations on the possibility of manufacturing products required by customers;
- 5) Decreasing customers' production costs;
- 6) Activities related to the certification of MMK's steel products.





MAGNITOGORSK IRON & STEEL WORKS MAGNITOGORSK IRON & STEEL WORKS

PROCUREMENT OF RAW MATERIALS

Nature of raw materials markets, trends and changes in market conditions

There were no significant changes (in terms of annual averages) in 2013 in MMK's markets for basic types of raw materials. The global coal market showed clear signs of stagnation, and there was a further reduction of prices, but with no volatility, while the iron ore market continued to show volatility. Thus, price indices for iron ore at the beginning of the year showed substantial growth, but by the beginning of summer, they had decreased by 25-30%. Another rise began in August 2013, but it was not as pronounced as in previous periods, which means one might expect iron ore prices to drop in 2014.

In 2013, MMK's average purchase prices for iron ore increased in absolute terms by about 0.9%, while coal concentrate prices were down by about 15% in comparison with 2012.

Scrap prices fell by 3-4% due to adjustments in our annual production programme and a reduction in requirements for scrap (against previously announced requirements), as well as MMK's policy aimed at increasing the procurement of scrap through subsidiaries of OJSC Profit.

The prices of iron ore and coal concentrate in Russia still change in close correlation with the price dynamics and cyclic changes in supply

and demand in global markets. The fact that raw materials companies have the alternative of sending exports to China and Europe in this case plays a decisive role.

Interaction with suppliers

In carrying out its activities, MMK endeavours to comply with relevant legislation, to fulfil its contractual obligations and to meet the principles of good business practices.

MMK's official website (<http://www.mmk.ru>) is an electronic resource that provides comprehensive information on MMK's needs in terms of material resources and services, on bids and electronic trading, requirements for suppliers in terms of resources to be delivered and services to be rendered.

One of MMK's basic principles of interaction with its contractors and suppliers is that of long-term mutually beneficial commercial relationships. As a consequence, preference is given to suppliers that are directly related to the products supplied, i.e. the manufacturers or authorised sales representatives.

A constructive bilateral dialogue with key raw material suppliers, and the timely development and acceptance of mutually beneficial agreements contributed to a significant reduction of the adverse effects of market conditions on MMK's operations in 2013.

Self-sufficiency in raw materials

In 2013, the Group's self-sufficiency in iron ore was 19%, while self-sufficiency in coking coal was at 36%. To mitigate the risk of any adverse changes in these primary raw materials supplies, the Group entered into a number of long-term contracts (for terms of between three and ten years) with its principal suppliers of iron ore and coking coal.

Long-term contracts

The fixed volumes to be supplied under these long-term contracts include shipments from the following, which are among MMK's principal suppliers:

ENRC Holding (SSGPO, Kazakhstan) – a long-term contract valid through 2017 with the current and expected volume of iron ore supplies to be about 8 million tonnes per year;

Metalloinvest Holding (Mikhailovsky Mining and Processing Plant and Lebedinsky Mining and Processing Plant, Russia) – long-term contracts valid through the end of 2015; the volume of iron ore supplies in 2013 to 2015 is expected to be 4.1 million tonnes/year;

Bakal Mine Administration LLC (Russia) – a long-term contract valid through the end of 2015, with the volume of iron ore supplies in 2013-2015 expected to be 0.48 million tonnes/year;

Novatek-Chelyabinsk LLC – a long-term contract valid through the end of 2022, with a volume of supplies in 2013 of 4,384.055 million m³.

Therefore, at present, MMK has secured at least 85% of its iron ore needs through long-term contracts (at least to the end of 2015).

Natural gas supplies under a long-term contract with Novatek-Chelyabinsk LLC will cover 100% of MMK's requirements until 2022.

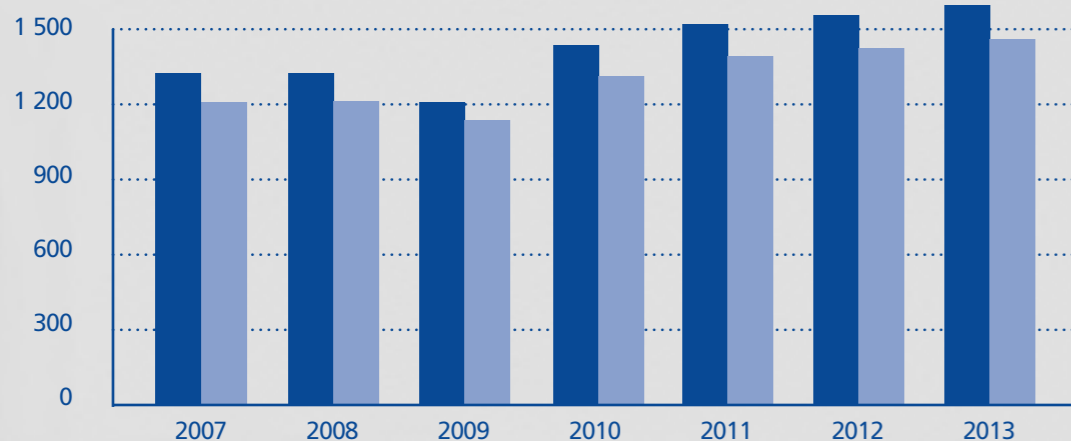


MAGNITOGORSK IRON & STEEL WORKS COMPANY SALES

Sales markets

In 2013, the global production and consumption of steel products increased. According to the World Steel Association (WSA), last year saw an increase in global steel production by 3.5% to 1,607 million tonnes. This growth was due to an increase in production volumes in Asia and the Middle East. Crude steel production in other regions decreased. According to the WSA's preliminary estimates, announced in October 2013, apparent steel consumption in 2013 increased by 3.1% to 1.475 billion tonnes.

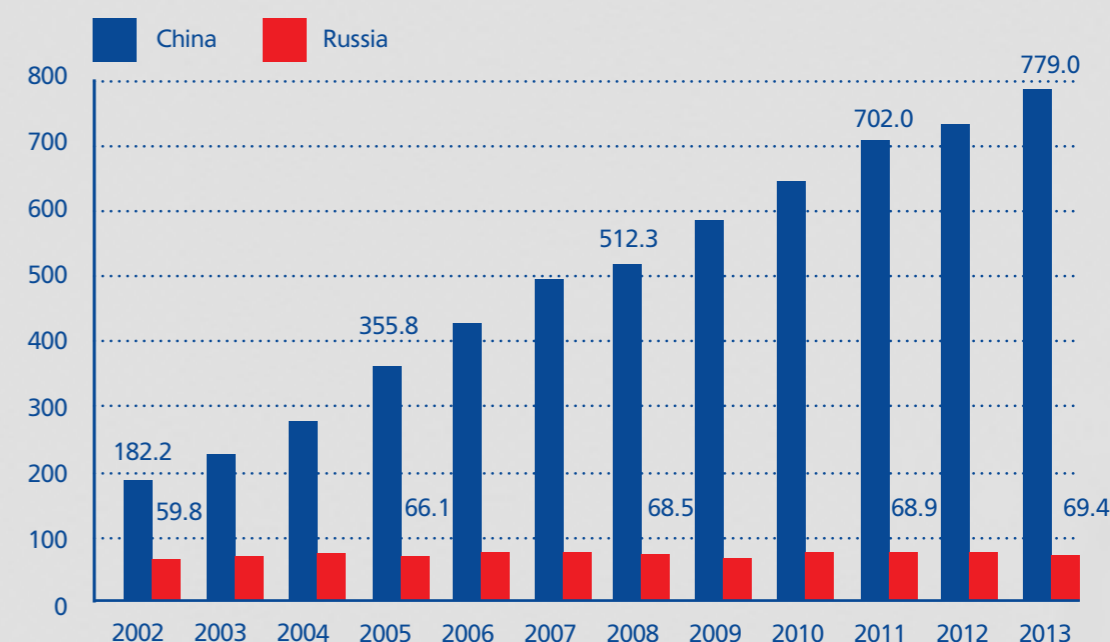
Global production of steel and apparent consumption, million tonnes



■ Steel production
■ Apparent consumption

The main contributor to the increase in global steel production and consumption was China. Its domestic production grew by 7.5% to 779 million tonnes, and its apparent consumption grew by 6% to 700 million tonnes.

Steel production in the RF and China, million tonnes



*according to WSA preliminary data

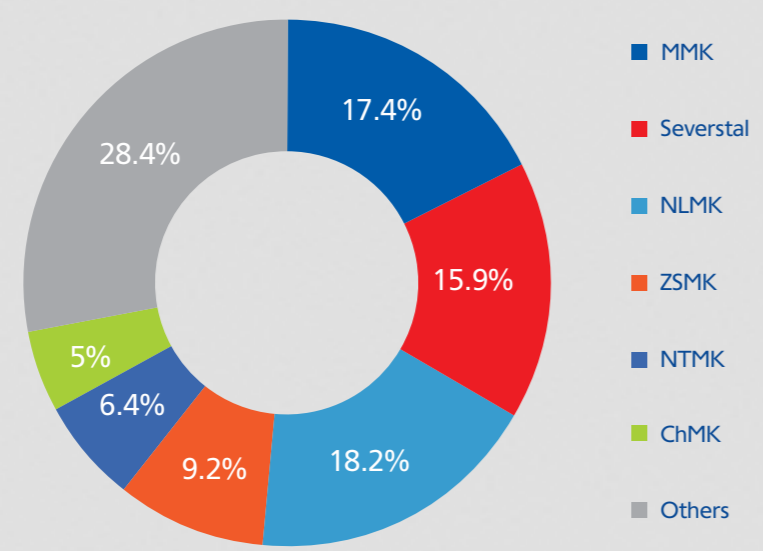
In Japan, steel production increased by 3.1% compared to 2012, to 110.6 million tonnes, due to the revitalisation of the internal market. In India, the production of steel products increased by 5.1% compared with the previous year, to 81.2 million tonnes. A significant part of this growth was achieved by increasing exports. In the United States, steel production decreased by 2%, amounting to 87 million tonnes.

In 2013, Russia's steel production decreased by 1.5% to 69.4 million tonnes. In the ranking of worldwide manufacturers, Russia is in fifth place, right after India.
 In 2013, steel production at MMK decreased by 2.5%, amounting to 11.941 million tonnes.

MMK steel production		MMK rolled-steel production	
2013	11.941 million tonnes	2013	10.667 million tonnes
	-2.5%		-3.3%
2012	12.247 million tonnes	2012	11.029 million tonnes

According to the Metal Expert news agency, in 2013 61.4 million tonnes of rolled steel was produced in Russia, 4% less than in 2012. In 2013, MMK's share of total Russian steel production stood at 17.4%.

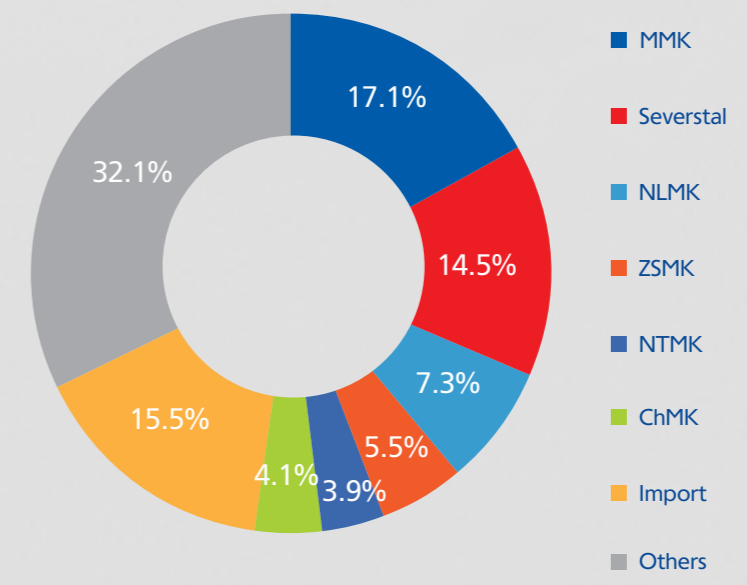
Structure of domestic rolled steel production in 2013



Russian Federation and CIS Markets

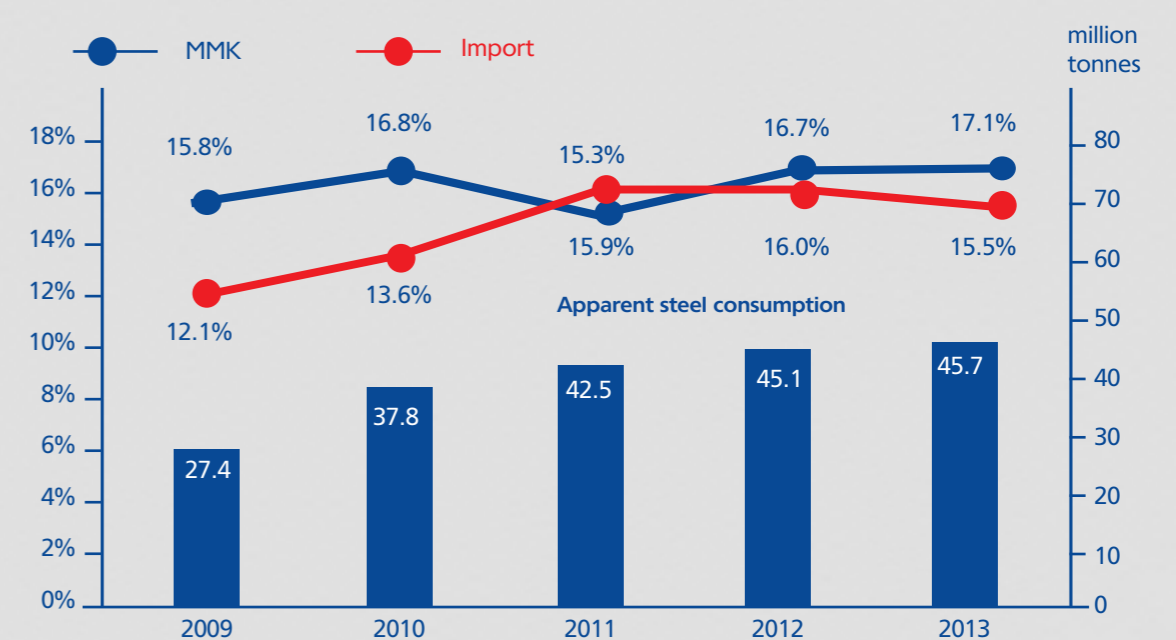
In 2013, there was a slowdown in Russia's economic growth rate; according to the Russian Federal State Statistics Service (Rosstat), industrial production grew by only 0.4%, while Russia's GDP grew by 1.3%. One of the factors for this sudden deceleration in the Russian economy in 2013 was a reduction in investments in fixed assets. In comparison with 2012, the difference was really significant. If, in 2012, investments grew by 6.6%, 2013 saw them shrink by 0.3%.
 MMK's shipments of steel products to markets in Russia and the CIS in 2013 grew by 6.4% to 8.993 million tonnes. Thus, the total volume of sales to these markets increased by 7.7 percentage points, reaching its highest-ever point of 84.3%.
 As of the end of 2013, MMK remained the leading Russian steelmaker in terms of domestic steel shipments.

Structure of domestic rolled steel shipments in 2013



MMK's share of the Russian market is about 17%. In 2013, apparent steel consumption in Russia grew slightly, by 1.3%, with imports decreasing by 1.5%.

Market share of MMK vs imports in Russia*

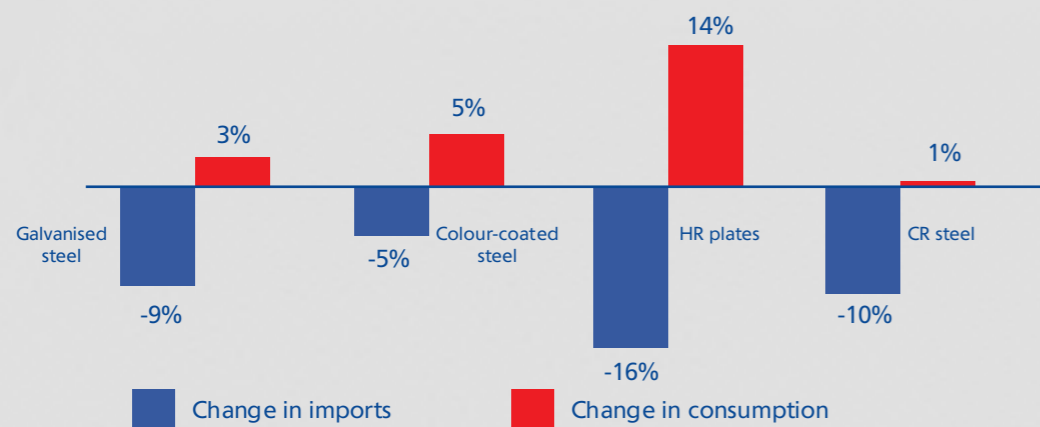


* source: Metal Expert news agency

The factors that had an influence on the decline in exports of Russian rolled-steel products included uncertainty regarding the global economic situation, volatility in world markets, and tougher competition from foreign producers. This, in turn, as well as the commissioning of new facilities in the Russian Federation, allowed Russian producers to slightly increase their shipments to the domestic market and to replace imported rolled products, including those in the segment of high-value-added (HVA) products.
 In the HVA product segment, Russian companies managed to increase their share in the colour-coated and cold-rolled-steel product markets.

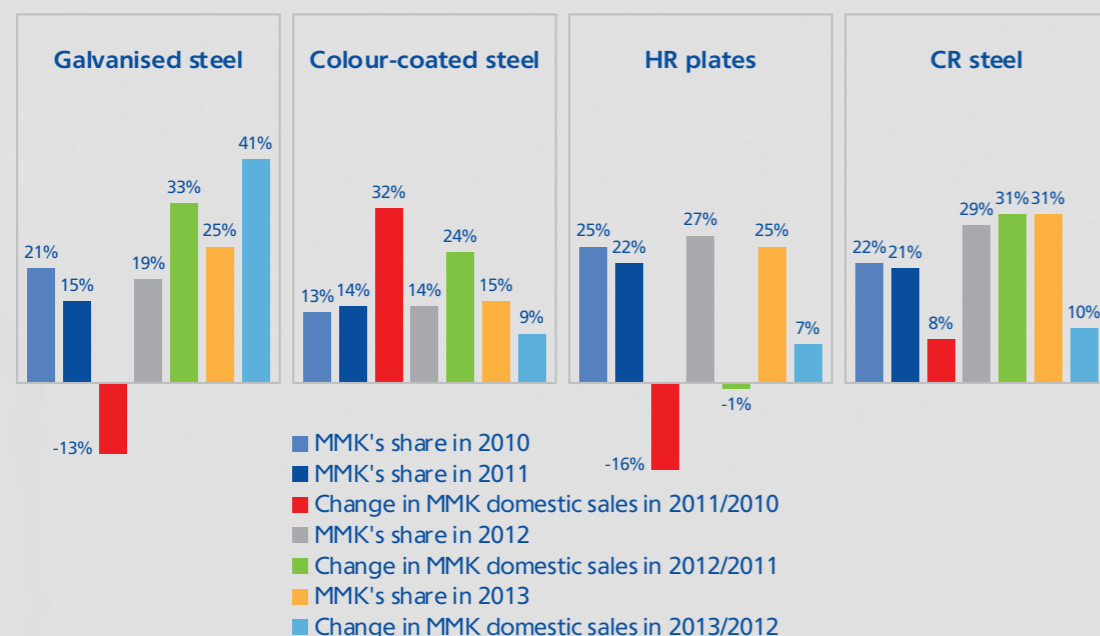


Decrease of imports of HVA products in the domestic market in 2013



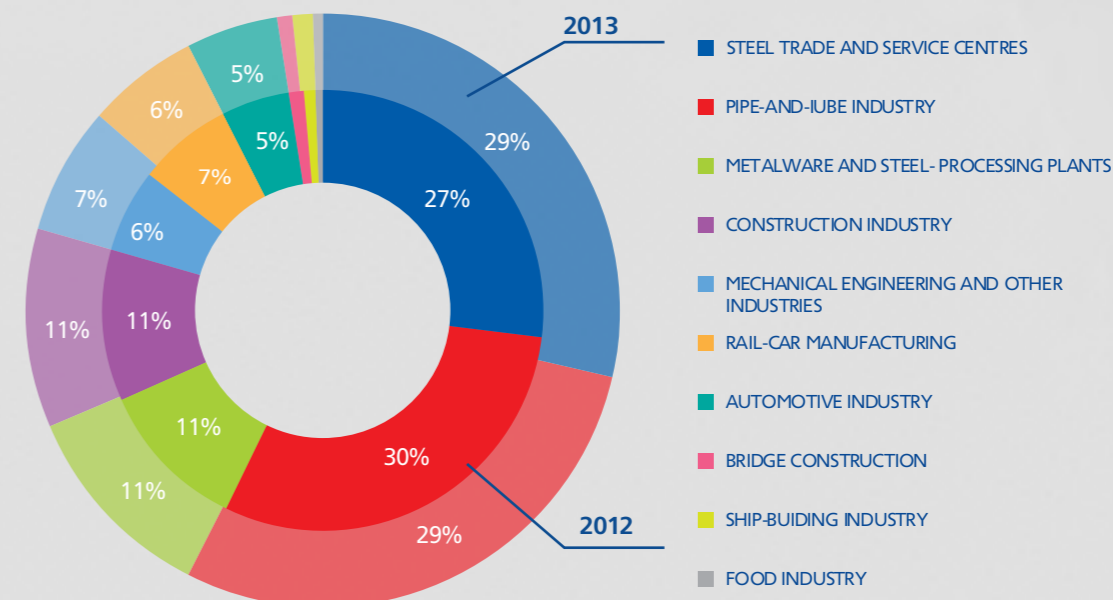
In 2013, MMK's share of the domestic market in HVA product sales increased. Sales of cold-rolled steel grew by 10%, which allowed MMK to increase its market share to 31%. Shipments of galvanised steel were 41% higher than in 2012, increasing MMK's market share by 6.9 percentage points to reach 25%. MMK's share of colour-coated steel in the Russian market remained virtually unchanged, amounting to 14.7%, but in comparison with 2012, the volume of MMK's shipments to the Russian market increased by 9%. The plate segment in 2013 saw an increase in consumption by 14%. MMK's plate shipments exceeded 2012 figures by 7%.

Changes in MMK domestic market share for HVA products



Companies in the pipe, mechanical engineering and construction industries, hardware and steel-processing plants remained major domestic customers, accounting for a total of 58% of MMK's domestic sales.

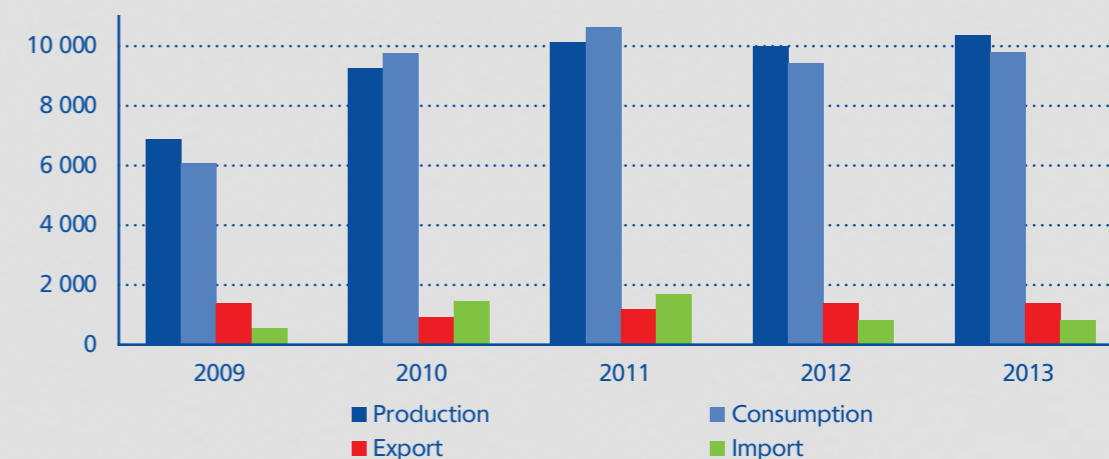
Domestic sales by industry, %



Pipe industry

In 2013, pipe makers accounted for 29% of MMK's total domestic shipments, a slight decrease from 2012. In the last year, Russia produced 10.3 million tonnes of steel pipes, an increase of 3.9% in comparison with 2012; production of welded pipes increased by 6.4%, while the volume of production of seamless pipes decreased by 1.5%.

Production, export, import and apparent consumption of steel pipes in the RF, thousand tonnes



Consumption of steel pipes in 2013 increased by 4.1% to 9.8 million tonnes, including a 3.8% increase in consumption of welded pipes, which amounted to 6.5 million tonnes. The welded-pipe segment recorded higher sales of pipes for construction, which increased by 4.4% due to an increase in consumption of shaped tubes (+13%) in this industry. About 3.3 million tonnes of seamless pipes were purchased in the Russian market, which was 4.7% more than in the previous year.

Overall growth in consumption was fostered by demand by oil and gas companies. An increase in exploration activities, in the development of new oil fields and in production in the oil and gas industry led to an increased demand for oil-country tubular goods (OCTG), pipes of small and medium diameter and pipes used for drilling. At the same time, large-diameter pipes (LDP) consumption in the domestic market decreased by 1.3%. One of the main reasons for this was the postponement of purchases of LDPs for the South Stream and Power of Siberia projects.



The relatively unfavourable situation in the mechanical engineering industry resulted in a decrease in purchases of special-purpose tubes.

Overall, in 2014, the major players in the Russian market are counting on continuing demand for steel pipes and tubes at 2013 levels.

The persistent increase in demand for shaped tubes will continue to drive manufacturers to further expand their pipe and tube capacities. And despite the fact that new mills are engineered to produce both round and shaped tubes, the main specialisation will remain products with a square or rectangular cross-section.

Automotive industry

There was a decrease in production volumes in the automotive industry in 2013 due to lesser consumer demand. The total production of vehicles in Russia (passenger cars, trucks and buses) amounted to 2.175 million units, a decrease of 2.6% in comparison with 2012. This drop in production occurred in all sectors of the automotive industry.

In 2013, 1.920 million passenger cars were produced in Russia, down 2.6% from the previous year, while 203,500 trucks were produced (down 1%), and 52,600 buses were manufactured (down 9.2%). At the same time, according to ASM-Holding, the production of domestic car models fell by 17.2% to 530,200, while the production of foreign cars increased by 4.5% to 1.389 million.

The downward trend in the automotive market in Russia, caused by the above-mentioned economic slowdown, persisted until the end of the year, with some reduction in the rate of decline. The total volume of wholesale sales of all types of vehicles in 2013 decreased in relation to 2012 by 9.7% to 2.995 million.

In the breakdown of MMK's shipments by industry in 2013, the automotive industry accounted for 5%.

Construction industry

MMK's direct supplies to companies in the construction industry in 2013 accounted for 11% of total domestic sales.

According to Rosstat, in 2013, some 69.4 million square metres of floor space was used for the commissioning of new houses and flats, an increase of 5.6% compared to the previous year. In 2013, 912,100 new apartments were built, an increase of 10.3% from 2012. That said, all work performed in Russia in 2013 in the field of construction decreased by 1.5% in comparison with 2012, to a total value of 5.917 trillion roubles.

According to preliminary data, more than 800,000 mortgage loans were granted in Russia in 2013, totalling more than 1.3 trillion roubles. This was 30% more than for the same period of 2012. There is potential for mortgage rates to be reduced. On the whole, the weighted average rate is currently 12.5%.

In 2013, investments in industrial and warehouse property in Russia amounted to USD 1.3 billion, i.e. three times as much as the previous year, and an all-time high. Equity contributions to these warehouses were worth about 20% of the total volume of investments in Russian commercial property. In 2014, demand in this sector is expected to remain unchanged, and transaction volumes will depend on the readiness of owners to offer high-grade property for sale.

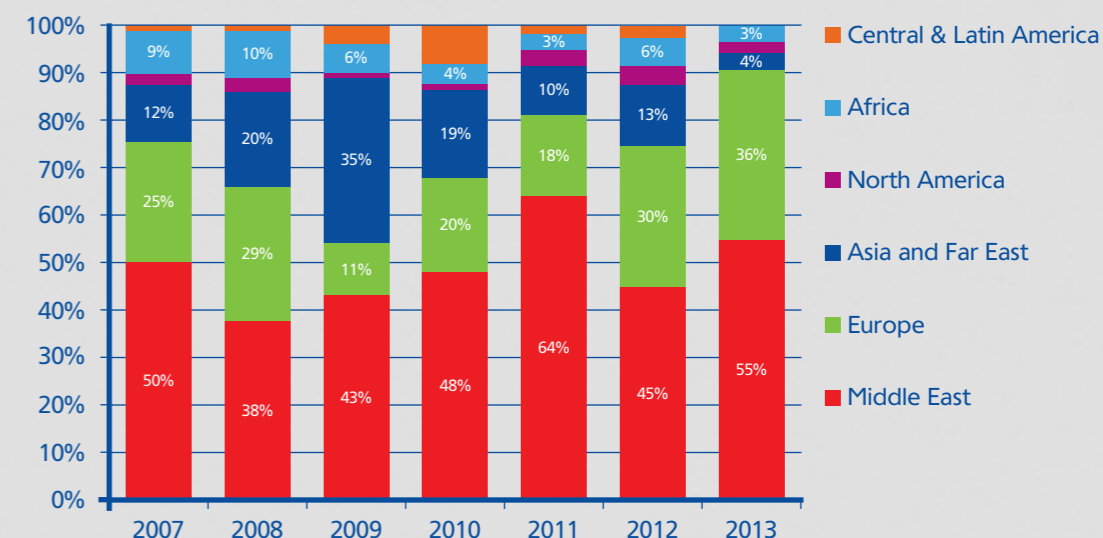
The Russian Construction Ministry has prepared a draft government regulation on the basic conditions and implementation measures for the Homes for Russian Families programme, pursuant to the Presidential Executive Order on Measures to Provide Affordable and Comfortable Housing to the People of the Russian Federation. In accordance with the document, 25 million square metres of economy-class housing should be constructed within the period 2014-2017. The right to this affordable housing will be given to people living in hazardous and unsafe housing conditions, recipients of maternity benefits, large families and those people whose current living space is below the requirement of 18 square metres per person.

Exports

In 2013, export sales decreased by 35%. This was mainly due to the implementation of MMK's strategy aimed at increasing sales in the domestic market and CIS countries.

Some 55% of export deliveries were sent to the Middle East market. The European market ranked second with a share of 36%.

Export sales by regions, thousand tonnes



Despite a slight rebound in the economy, the volume of MMK sales to Europe in 2013 decreased by 22%. The key European buyer of MMK's products was Italy, accounting for 24% of the total export volume. Shipments to Asia and the Far East fell due to the growth of domestic steel production in those regions.

Exports consist predominantly of hot-rolled products (73%) that cannot be sold domestically due to the limited market capacity.

Steel market trends for 2014

Global markets

The trend that dominated in 2013 is also shaping the global markets today, i.e. the demand for steel is generally lower than the supply. In the context of a buyer's market, manufacturing companies and traders are struggling for every customer.

As long as the prices of raw materials remain high, end-product prices will also not drop significantly. In substance, suppliers are competing in terms of costs. This is why the level of prices in the market is mainly geared by iron ore prices and, to a lesser extent, by scrap and coking coal prices. China is driving demand for both steel and raw materials markets.

According to forecasts, prices for iron ore in 2014 will continue to fall. Consequently, the predicted result will be a gradual sagging of steel prices.

The North American market is currently relatively stable (due to its remoteness and the introduction of import quotas).

In European markets, prices are still stable due to a relatively favourable euro/USD exchange rate and a decline in production by European companies. Nevertheless, protectionist measures against imported steel products will probably be introduced in this market in 2014.

All other markets experienced a drop in prices at the very beginning of the year due to both a decrease in the price of raw materials and the devaluation of local currencies against the US dollar, like in Turkey, for instance.

China, which is also reducing its export quotas, is increasingly dominating the Asian market. Indian manufacturing companies are increasing their exports, thus



making the already-fierce competition in this region even tougher.

Therefore, from the point of view of export sales, the North American and European markets are the most attractive. These regions have recently been experiencing an economic upturn. The strengthening of the US dollar and the euro against other world currencies may be expected to continue, and these regions will remain attractive in the near term.

Domestic market

Because of the exposure of the Russian market, it is impacted by any negative process taking place in overseas markets.

In 2013, Russian GDP grew by 1.3%. Industrial production declined, causing decreasing demand for rolled-steel products. Competition in the Russian market is becoming tougher due to both newly introduced domestic facilities and imports, mainly from CIS countries and China.

In this situation, the decisive factor for rolled-steel prices is the price in the global market and the rouble exchange rate against major world currencies. Because of the low demand, it is impossible to raise prices.

The devaluation of the rouble at the beginning of 2014 contributed to increased sales in both export and domestic markets. Meanwhile, prices in domestic markets increased despite a decrease in export prices.

Since the Russian economy is lacking the necessary conditions for a recovery in growth in the second half of 2014, the situation in the Russian market for ferrous-metal products will be determined by trends at the start of this year.

Current and potential trade barriers and legal environment

Most steel-manufacturing countries consider the steel industry to be of strategic importance and that, accordingly, the industry should be protected from foreign competition. In addition, some governments in transition economies use non-market control measures in order to ensure the development and protection of the domestic steel industry. Such measures are usually intended to establish a balance between production, the product mix and consumption, but with the implementation of such measures, steel imports are often limited and subject to protectionist measures.

Protectionist measures with respect to Russia are used within the Customs Union of Russia, Belarus and Kazakhstan and are governed by the Treaty on the Application of Special Safeguards, Anti-Dumping and Countervailing Measures in Relation to Third Countries of 25 January 2008. The Eurasian Economic Commission is the body that conducts investigations into anti-dumping, countervailing or special safeguard measures, and also decides on the introduction of such measures.

Since Russia became a member of the World Trade Organization (WTO), protectionist measures in relation to the Russian domestic market have been implemented in full accordance with WTO treaties: the Treaty on Subsidies and Countervailing Measures, the Treaty on the Application of Article VI of the GATT 1994 (Anti-Dumping) and the Treaty on Safeguard Measures.

The national laws in most countries that protect the domestic market from unfair imports are based on WTO provisions in this field, although they may have certain procedural differences in terms of investigations.

The number of anti-dumping and other safeguard measures against MMK's products is currently decreasing. As of 1 February 2014, seven measures were in force against Russian goods included in MMK's product mix, including five anti-dumping duties, one quota and price limitation and another price limitation. Five investigations with regard to the introduction of special protectionary measures are underway (Colombia and Thailand). These measures are applied in the United States, Mexico, Indonesia, Colombia and Thailand, but they do not significantly affect MMK's operations, as its most important export markets are the Middle East, Europe and the CIS countries, due to their geographic proximity.

When Russia was recognised as having market status by the United States in 2002, and then later by the European Community and a number of other countries, this contributed to reducing the number of safeguard measures applied. This market status allowed steelmakers to protect their interests more efficiently in investigations into the imposition of safeguard measures in foreign countries. After Russia became a member of the WTO, Russian exporters gained another tool to contest existing limitations in respect of goods and services exported from Russia in foreign countries using the WTO Dispute Settlement Body to resolve disputes.

MMK has been taking steps to lift the current safeguard measures on an ongoing basis. A gradual reduction of exports by MMK mitigates the risk of the imposition of new market safeguard measures by foreign countries.

Product mix and market demand

MMK produces the widest product range of all Russian steelmaking companies.

MMK's total product range is currently in demand in the domestic market except for hot-rolled and cold-rolled coils, the market capacity for which is limited in Russia due to the redundancy of production facilities.

Other products are exported on an ad hoc basis, mainly depending on the market situation.

Long steel products manufactured by MMK do not influence the domestic market situation due to their restricted volumes; they sell mainly to adjacent and neighbouring regions: the Urals, the Volga and Western Siberia.

Hot-rolled coils are shipped mostly to tube makers, where they face strong competition from similar products made by other Russian steelmakers and imported steel products from Ukraine and Kazakhstan.

Cold-rolled coils are delivered to carmakers and steel-processing companies. Hot-rolled and cold-rolled flat products are intended for machine-building companies, including carriage works, and for the construction sector.

The wide plate manufactured by the 5,000 mm hot-rolling mill is supplied to pipe mills for large-diameter pipe production, as well as to ship-building plants and bridge-construction companies.

Galvanised rolled products are intended for the construction sector and automakers, as well as steel service centres.

Colour-coated rolled products are requested by manufacturers of roofing tiles and ceiling and wall panels.

Tinplate is supplied to canned-food manufacturers and producers of paint materials.

Production of black pipes and galvanised pipes is limited; they are required mostly by the construction sector.

Roll-formed sections are in demand by carriage works.

MMK carries out ongoing activities aimed at mastering new products and expanding its product range in accordance with market requirements, thus making it possible to expand in the domestic market even under no-demand conditions.

Competitive environment

Over the past five years, the steel market has witnessed the intensification of competition.

The prime competitive advantage for Russian rolled-products manufacturers has been their improvement of product quality and their intensive increase in production capacities.

Steel-trading companies have been actively diversifying their business by mastering new kinds of downstream products (shaped tubes, plane and three-dimensional frameworks made of reinforced bar, formed sections, etc.) and providing a wide range of steel-processing and logistics services.

MMK's competitive advantage can be found primarily in the following factors:

- The widest-possible range of manufacturing facilities for the purpose of the diversification of production and sales risks to achieve stable sale volumes in the long term; consequently, it manufactures the largest mix of steel products among steelmaking companies in Russia and the CIS;
- Favourable geographic location with regard to sources of raw materials;
- Favourable geographic location with regard to those regions of Russia and domestic consumers that require a lot of steel;
- Captive power generation;
- High-value-added-oriented production;
- Long-term relationships with key accounts;
- Implementation of a modernisation programme;
- Development of a network of regional dealers in the domestic market.



In the markets that are essential for MMK, i.e. Russia, the CIS, Middle Eastern countries, and Europe, MMK's major rivals are the large steel holdings in Russia, Ukraine, Germany, Turkey and China.

The key factors that currently determine the competitive status of the companies in the target markets are the following:

1. Buyers' influence: a drastic increase (decrease) in demand and structure modification, modification of effective demand, the situation in a borderline commodity market, moving of customers from one manufacturer to another;
2. Suppliers' influence: the provision of primary and non-primary goods;
3. Quality of products;
4. Geographic location;
5. Competitors' influence: trade policy, pricing, expansion of production facilities and product mix, access to sales channels, provision of processing services and the quality thereof;
6. Barriers to market penetration: quotations, introduction of duties for some products, antidumping probes.

Customer relations information (including acceptance of steel products and technical support service)

MMK is striving to take its place as a strategic supplier of steel products for major domestic sectoral consumers. The key domestic consumers of MMK's products have traditionally been companies in the iron and steel industry, including machine-building plants, tube- and pipe-making plants, automakers and companies in the construction industry. Many key customers have entered into enduring strategic partnership agreements with MMK.

MMK focuses on developing its relationships with its customers. This is achieved by constantly carrying out activities that contribute to customer satisfaction both in terms of product quality and the level of service and support.

Coordination board meetings with key accounts provide a forum to discuss and coordinate technical issues, arrange joint programmes for the development and mastering of an advanced product mix of grades and dimensions. In addition, these meetings also discuss the quality improvement programme.

In 2013, a customer support team was established. To obtain maximum feedback from customers, regional offices were established directly on their production premises. All the above steps make it possible for MMK to promptly resolve any customer issues connected with the development of new products or products with specific requirements.

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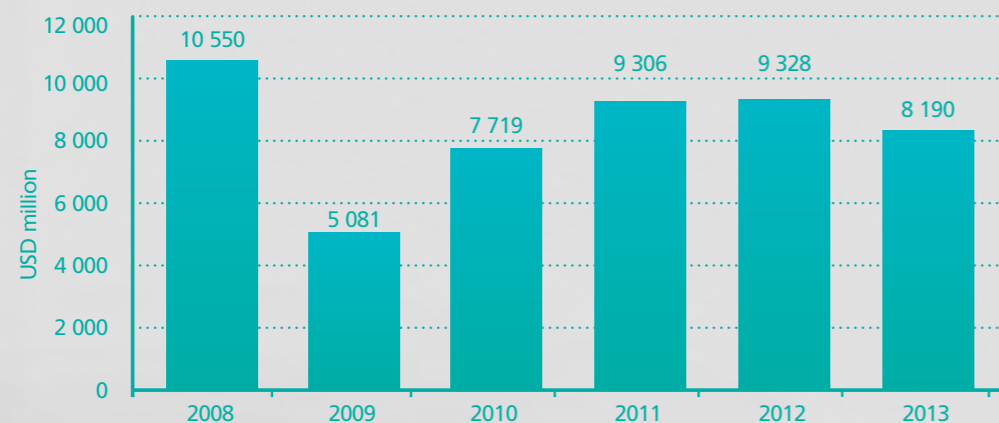
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**FINANCIAL
 REVIEW**

The world economic situation in 2013 showed that the expectations prevailing at the end of 2012 for economic stabilisation and growth in demand for steel products were overstated. The poor state of global markets had a negative impact on Russia's economy: in 2013, according to Rosstat, industrial production in Russia grew only by 0.4%, down from 3.4% growth the previous year.

It is worth noting that the military-industrial complex, pharmaceutical, radio-electronic and aviation industries experienced the highest growth (more than 10% year-on-year). Textile and clothing manufacturers, the chemical industry and retail business showed growth in comparison with the previous year, but the steelmaking and car-making industries, strongly dependent on the global market situation, sagged by 1-3% from 2012.

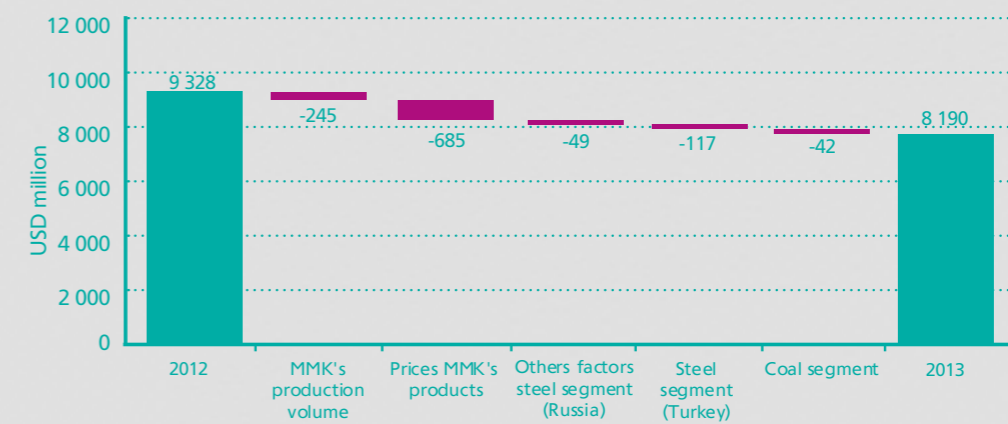
As a consequence of the negative influence of 2013 market factors, MMK Group's sales revenue decreased by 12% against 2012 levels, amounting to USD 8,190 million.

2013 interrupted upward trend in revenues

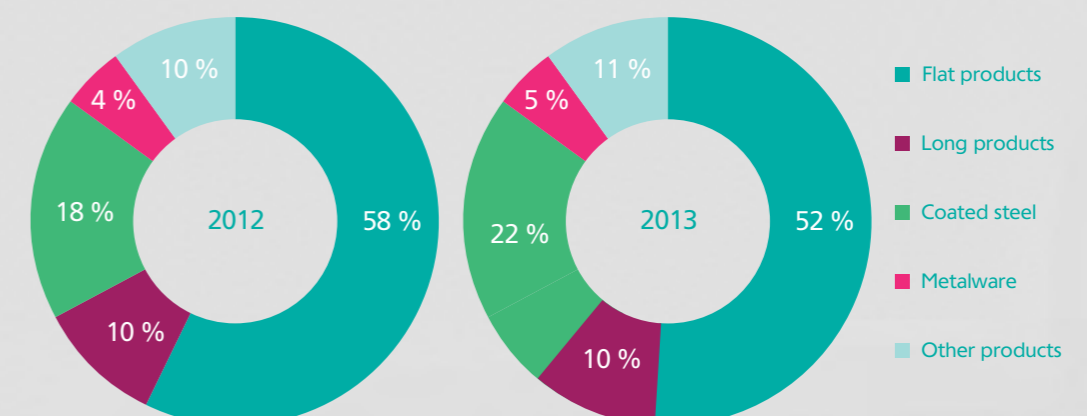


The reason for the decrease in revenues was the drop in prices for the parent company's products (by 6.6% year-on-year in USD).

Drop in prices for MMK's products significantly affected the Group's revenue



The Group's revenue structure improved year-on-year





Historically, hot-rolled flat products have historically accounted for the largest share of MMK's revenues and, consequently, for the Group's revenues (39% in 2013). However, due to the Group's focus on higher-added-value products (cold-rolled steel, coated steel, downstream products), the share of revenues from hot-rolled products has gradually been decreasing (down 7% year-on-year in 2013), and the share of revenues from galvanised steel (12% in 2013, up 3% year-on-year) and from colour-coated rolled products (9%, up 2% year-on-year) has been increasing.

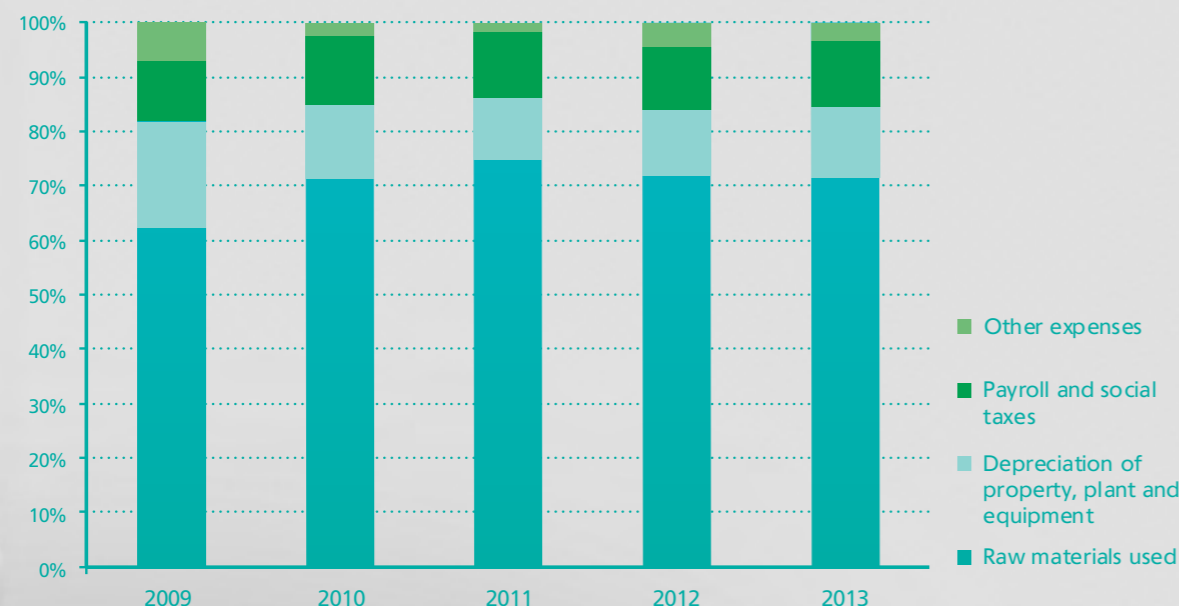
Group's revenue by segments, USD millions

Segments of the Group	2009	2010	2011	2012	2013	Change in 2013 to 2012	%
Steel segment (Russia)	5 029	7 425	8 736	8 556	7 577	-979	-11%
Steel segment (Turkey)		137	417	684	567	-117	-17%
Coal segment	52	157	153	88	46	-42	-48%
Total	5 081	7 719	9 306	9 328	8 190	-1 138	-12%

The vast majority of the Group's revenue (92.5%) comes from the Russian steel segment. In connection with the development of the Turkish project, the share of the Group's revenues from the steel segment in Turkey has been about 7% during the last two years. The modest share of the coal segment (1%) is conditioned by the fact that the majority of its production is consumed internally. The significant decrease in each segment's revenue in 2013 in comparison with the previous period was the result of the negative situation both in the steel market (the steel segments in Russia and in Turkey) and the coking coal market (due to a considerable drop in prices for coking coal concentrate in 2013, MMK Group drastically decreased sales of these products to the third parties).

Metallurgy is one of the most raw-material-intensive industries; thus, in the cost structure of the Group's sales, the greatest share is classified as raw and consumable materials: from 63% up to 75%, depending on the prices of raw materials. The Group's cost structure has generally been sufficiently stable for several years; personnel costs and capital consumption are about 11-13% of the production cost.

The cost structure of the Group's sales is not subject to sizeable fluctuations



In 2013, the MMK Group's manufacturing cash costs amounted to USD 6,000 million (down 13.4% year-on-year). The main reason for the decrease in the Group's manufacturing costs was the decline in production and the drop in prices for the parent company's raw materials.

Moreover, the activities carried out within the framework of the Group's Cost Improvement Programme had a positive impact on the Group's costs and expenses in 2013: MMK's production divisions managed to save USD 68 million, and the Group's companies saved another USD 39 million through the optimisation of resource consumption.

General and administrative expenses in 2013 decreased by 8%; however, their share of revenue increased by 0.3 percentage points. This decrease in expenses was made possible thanks to implementation of the Group's Cost Improvement Programme in 2013.

Administrative costs, USD millions

	2009	2010	2011	2012	2013	Change to 2012 in 2013	in %
General and administrative expenses	349	495	560	568	524	-44	-8%
Percentage of revenue	6.9%	6.4%	6.0%	6.1%	6.4%		

Calculation of the Group's EBITDA, USD millions

Description	2009	2010	2011	2012	2013
Operating profit	312	610	365	273	174
Depreciation and amortization	735	826	887	952	969
Loss on disposal of property, plant and equipment	118	159	70	118	79
Share of results of associates	-31	11	14	20	1
Impairment / revaluation of investments in associates	175				
EBITDA	1 309	1 606	1 336	1 363	1 223
EBITDA margin, %	26%	21%	14.3%	14.6%	14.9%

In 2013, EBITDA totalled USD 1,223 million (down 10.3% from 2012), with the EBITDA margin amounting to 14.9%. The majority of the Group's EBITDA came from the adjustment of production costs for depreciation, which has been increasing significantly since 2010 because of the establishment of large-scale production facilities in the parent company (5,000mm hot-rolling mill and 2,000mm cold-rolling mills) and the launch of the Turkish project.

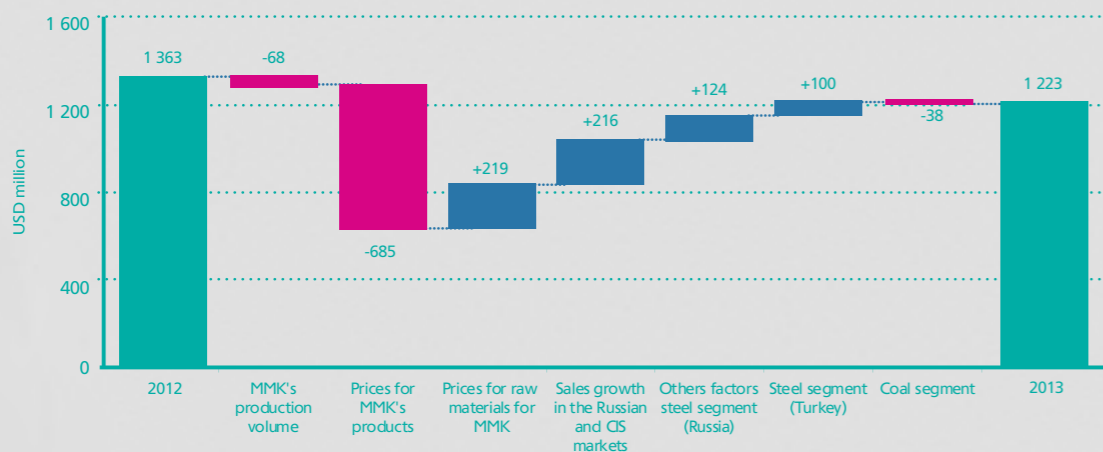


EBITDA by segments of MMK Group, USD millions

Segments	2009	2010	2011	2012	2013	Change to 2012 in 2013
Steel segment (Russia)	1 301	1 347	1 187	1 350	1 019	-331
Steel segment (Turkey)	-	-11	-66	-75	25	100
Coal segment	8	270	222	86	48	-38
Total	1 309	1 606	1 336	1 363	1 223	-140

The Russian steel segment has historically accounted for the greatest portion of the Group's EBITDA (83% in 2013). For the first time since the launch of the Turkish project, the EBITDA of the steel segment in Turkey has been positive as a result of the optimisation of activities at MMK Metalurji, i.e. suspension of operations in the compact strip mill and focusing on cold-rolled production and processing of hot-rolled coils into coated rolled products. Consequently, the Turkish segment's share totalled 2% of the Group's EBITDA. The coal segment's share amounted to 4%. The remaining part is covered by intersegment and other operations.

Prices for MMK's products were the crucial factor influencing the Group's EBITDA



The main factors that had an impact on MMK Group's EBITDA were the prices of raw materials and prices of steel products produced by the parent company, as well as the regional sales structure. The share of the Group's high-margin products in the Russian and CIS markets is much higher than in other countries and, consequently, the expansion of sales in 2013 in Russia and the CIS resulted in an increase in the EBITDA.

MMK Group net income, USD millions

Description	2009	2010	2011	2012	2013	Change in 2013 to 2012
Operating profit	312	610	365	273	174	(99)
Finance costs	(96)	(140)	(190)	(223)	(181)	42
Finance income	20	8	15	12	8	(4)
Foreign exchange (loss)/gain, net	9	(24)	(118)	35	(152)	(187)
Other income and expenses	12	(164)	(213)	(153)	(2 584)	(2 431)
Profit (loss) before income tax	257	290	(141)	(56)	(2 735)	(2 679)
Income tax	(38)	(58)	16	(31)	306	337
Profit (loss) for the year	219	232	(125)	(87)	(2 429)	(2 342)
Attributable to non-controlling interests	(13)	(22)	(5)	(3)	(29)	(26)
Attributable to shareholders of the parent company	232	254	(120)	(84)	(2 400)	(2 316)

The decrease in financial costs was due to a significant drop in the Company's borrowings in 2013 (down USD 693 million). Considerable growth in losses from foreign loans was due to the fact that the Group's primary obligations were denominated in US dollars and euros, while revenues were in Russian roubles and Turkish lira.

The RUB and TRY exchange rates fell against the USD (by 8% and 20%, respectively) and the euro (by 12% and 25%, respectively). There was significant growth in other costs mainly due to the impairment of the Group's fixed assets by USD 1,847 million and goodwill by USD 270 million.

In summary, MMK Group's loss for the period totalled USD 2,429 million, of which USD 2,400 million was suffered by the shareholders of the parent company.

Russian steel segment

Description	unit of measure	2012	2013	change	%
Steel products	kt	11 036	10 675	-361	-3%
Total revenue, including	USD million	8 653	7 744	-909	-11%
Inter-segment sales	USD million	97	167	70	72%
Sales to external customers	USD million	8 556	7 577	-979	-11%
EBITDA	USD million	1 350	1 019	-331	-25%
EBITDA margin	%	15.6%	13.2%	-2.4 p. p.	
EBITDA per ton of steel products	USD/t	122	95	-27	-22%



The Group's financial performance is substantially driven by the Russian steel segment, which includes OJSC MMK and its steel-producing subsidiaries in Magnitogorsk, MMK-METIZ Metalware and Sizing Plant, the downstream steel-processing plants MMK-Profil-Moskva and Interkos-IV, as well as trading companies.

Due to a deterioration in market conditions in 2013, revenue from sales to third parties amounted to USD7,577 million (down 11% year-on-year). In addition, the Group companies' sales revenues increased considerably mainly due to sales of hot-rolled coils by MMK Metalurji for further processing and sale in the Black Sea, Mediterranean and Middle East markets.

Turkish steel segment

	unit of measure	2012	2013	change	%
Steel products*	kt	901	664	-237	-26%
Total revenue, including	USD million	778	636	-142	-18%
Inter-segment sales	USD million	94	69	-25	-27%
Sales to external customers	USD million	684	567	-117	-17%
EBITDA	USD million	-75	25	100	133%
EBITDA margin	%	-9.6%	3.9%	13.6 p. p.	
EBITDA per ton of steel products	USD/t	-87	38	125	143%

*includes 279,000 tonnes, made of OJSC MMK's hot coils, in 2013

The Turkish steel segment is located at MMK Metalurji's two sites in Turkey: Iskenderun and Istanbul.

While the market situation was deteriorating drastically last year, i.e., there was a significant drop in steel prices and a slight decrease in scrap-metal prices in the Mediterranean region, the compact strip mill at MMK Metalurji was out of operation, and the plant focused on the processing of purchased hot-rolled coils. As a consequence of the decrease in manufacturing costs related to steel melting and casting, in 2013, the Turkish steel segment recorded a positive EBITDA and EBITDA margin.

Coal segment

Description	unit of measure	2012	2013	change	%
Sales of coal concentrate	kt	3 325	2 858	-467	-14%
Total revenue, including	USD million	469	341	-128	-27%
Inter-segment sales	USD million	381	295	-86	-23%
Sales to external customers	USD million	88	46	-42	-48%
EBITDA	USD million	86	48	-38	-44%
EBITDA margin	%	18.3%	14.1%	-4.3 p.p.	
EBITDA per ton of coal concentrate	USD/t	26	17	-9	-35%

The coal segment includes OJSC Belon and its coal-producing and -dressing subsidiaries (Belon Group). All of the Belon Group's material assets, production facilities and management and administrative resources are located in Belovo, Russia.

In 2013, within the framework of MMK Group's optimisation programme, Novobachatsky Open Pit Mine LLC was removed from this segment.

Most of the coal segment's output is consumed by the Group. The relationship between the segments is built on market principles; therefore, the drop in prices for coal concentrate and the reduction in MMK's requirements for coking coal caused a decrease in both production and financial performance in the coal segment.

MMK Group net working capital, USD millions

	unit of measure	As of 01.01.2013	As of 01.01.2014	change
Inventories	USD million	1 674	1 478	-196
Trade receivables	USD million	560	507	-53
Advances from customers	USD million	302	185	-117
Total settlements with buyers and customers	USD million	258	322	64
Trade payables	USD million	616	614	-2
Advances paid	USD million	50	39	-11
Total settlements with suppliers	USD million	566	575	9
VAT recoverable	USD million	200	173	-27
Other receivables	USD million	85	84	-1
Other payables	USD million	342	238	-104
Total net working capital	USD million	1 309	1 244	-65
Share of net working capital in revenue	%	14.0%	15.2%	+1.2 p. p.

Despite the decrease in the Group's absolute net working capital, its ratio to the revenue increased by 1.2 p.p. This was mainly due to the reduction in yield outstripping the net working capital. This reduction of net working capital was caused by the weakening of the Company's business activities: cutbacks in production, reductions in revenue and cost of sales. The decrease of other payables was due to interim dividends in 2013 accrued the previous December for nine months of 2012.



MAGNITOGORSK IRON & STEEL WORKS RISK MANAGEMENT

Description of risk management system

MMK was among the first Russian ferrous-metals companies to develop and launch a comprehensive risk management system that meets the best international risk management practices.

MMK has a risk-management division, an approved risk management policy and a corporate standard for risk management. In 2013-2014, the Russian Risk Management Society successfully carried out a risk management assessment.

MMK's risk management system is intended to help the Company secure strategic and operational sustainability and to develop its business.

The goals of MMK's risk management policy are:

- identifying and assessing risks;
- providing information about risks to MMK's shareholders, governing bodies and employees;
- developing and implementing actions to mitigate risks;
- risk monitoring;
- establishing risk management procedures;
- monitoring compliance with approved risk management procedures; and
- making risk management processes an integral part of MMK's strategic and operational management.

Key risks and uncertainties

Industry risks

The most significant factors influencing MMK's activities in the industry are:

- shifts in demand and variations in prices for steel products;
- intra-industry competition;
- variations in prices for raw material and services.

Risks attributable to fluctuations in demand and price for manufactured steel products

MMK's operating results depend, to a great extent, on fluctuations in demand and prices for rolled metal and steel products. 2013 saw a relatively stable situation in terms of demand and price levels for steel products; however, the potential deterioration of the situation in the steel market can adversely influence the volume of demand for steel. Degradation in the global economic situation in the medium term can negatively affect the development of the steelmaking industry.

MMK has been taking the following steps to mitigate the risks attributable to demand and price fluctuation:

- Building a diversified 'portfolio' of customers;
- Introducing an active marketing policy;
- Concluding long-term contracts for the shipment of steel products;
- Expanding its sales network;
- Reorienting production towards products in demand;
- Introducing a flexible pricing policy;
- Reducing costs; and
- Expanding its product mix through the manufacturing of unique types of products and higher-value-added products (5,000 mm hot plate mill, 2,000 mm cold-rolling mill, etc.).

Risks attributable to intra-industry competition

Intensive competition in the domestic market can be explained by the high concentration of steelmaking companies. The nine largest companies (OJSC MMK, OJSC Severstal, OJSC NLMK, OJSC Evraz ZSMK, OJSC KMK, OJSC ChMK, OJSC Ural Steel, OJSC Evaz NTMK, and OJSC OEMK) account for about 90% of steel production in Russia.

Steelmaking companies in China, India, Turkey, and the CIS are MMK's main rivals in international markets. Moreover, the manufacturers of substitute materials used instead of steel products in the construction and packaging sectors can also be regarded as competitors.

The competitive intensity and cyclical nature of steel markets can, in the end, exert drastic pressure on the Company's revenue growth rate. The crucial factors



in terms of competitive ability that mitigate intra-sectoral risks are the following: price, quality, meeting customers' specifications and delivery schedules, the status of technological equipment, a location that provides exposure to key customers and suppliers and convenient transport routes.

Risks attributable to potential variations in prices for raw materials and services

MMK consumes an immense volume of metallurgical raw materials, and raw material costs constitute the largest part of MMK's production costs. Deliveries of raw materials are subject to risks depending mostly on the specific nature and peculiarities of each segment of the raw material market. MMK does not own adequate raw material assets and is taking steps to expand its own raw material base (in 2008-2009, MMK became the 100% owner of Onarbay Enterprises Ltd.'s stock, which is, in turn, a holder of an 82.6% share in the Belon coal holding), thus mitigating raw material risks. Since the Russian Government controls the prices of gas and electric power, price augmentation is a predictable process. However, further increases in the prices of raw materials can harm MMK's performance.

MMK is working to expand its own raw material base in order to mitigate this risk.

Regional and country risks

Regional risks

MMK is incorporated in the Russian Federation and conducts its core business in the Ural region, which is why it is sensitive to changes in the national and regional situation.

Impact of potential strikes in Russia and in the Ural region on MMK's activities:

- The impact of potential strikes in Russia in the short, medium or long term on MMK's business can be considered extremely low;
- The impact of potential strikes in the Ural region in the short, medium or long term on MMK's business can be considered extremely low.

Social situation

The Russian Government has been taking steps to decrease the rate of inflation and to eliminate the gap between the inflation and salary growth rates. These steps are contributing to stabilisation of the social situation and the mitigation of social risks, including the risk of strikes. The social situation in Russia and the Ural region can currently be regarded as relatively stable. The stable political situation and strengthening of security measures by law-enforcement agencies decrease the likelihood of military conflicts and acts of terrorism in the country.

Risks attributable to potential military conflicts, states of emergency and strikes are hardly predictable, and so their potential impact on MMK's future activities is also hard to predict.

If such risks were to occur, MMK would do its best to minimise their potentially adverse effects.

Threat of military conflicts

No threat of a military conflict in Russia is expected in the short, medium or long term.

Threats related to a deteriorating political situation

No threat of a significant deterioration in the political situation, including the possible announcement of a state of emergency, is expected in Russia in the short, medium or long term.

Country risks

Current restrictions in sales markets:

- Antidumping duties: Mexico, Indonesia, Thailand;
- Price and quantity restrictions: the United States.

Threat of deteriorating political situation: there is a possible threat of a

deterioration in the political situation, including the announcement of a state of emergency, in MMK's primary sales markets in the short and medium term.

Threat of military conflicts: there is a possible threat of military conflicts in MMK's primary export markets in the short and medium term.

Financial risks

Foreign exchange risk

MMK ships a portion of its steel products abroad for foreign currency, and a portion of its liabilities (including bonds) are denominated in foreign currencies. Therefore, there is a fear of losing potential profits because of foreign exchange risks in the following cases:

- Strengthening of the rouble against foreign currencies in respect of export contracts;
- Adverse fluctuations in foreign currency rates in which the company has debts denominated in foreign currencies.

MMK is taking steps to mitigate foreign exchange risks by optimising the currency position for each foreign currency, limiting risks to an level acceptable for MMK and monitoring the currency position and currency risk change.

Interest risk

MMK utilises borrowed funds in its activities. Implementation of a large-scale investment programme required the borrowing of funds with floating interest rates. As a consequence, interest rate fluctuations influence the Company's performance. This risk is currently negligible since LIBOR floating rates are at their minimum level, and they are not expected to rise significantly in the near future due to the US Federal Reserve System's decision to keep the FRS base rate at a minimum level.

MMK is taking all necessary measures to decrease interest rates, is maintaining an optimal credit portfolio with fixed and floating interest rates and is monitoring the interest risk level.

Credit risk

This kind of risk is inherent for MMK as a result of the decrease in effective demand for MMK's steel products, illiquidity and high interest rates on bank loans. Assessing buyers' solvency, placing limitations on shipments, providing security for shipments on credit by means of bank guarantees and factoring can be useful for minimising this kind of risk.

Liquidity risk

Should MMK's financial situation deteriorate due to the continuing economic recession, there could be an increase in liquidity risk attributable to an asset-liability maturity mismatch.

Investment risks

When implementing its investment programmes, MMK was exposed to investment risks, i.e. risks inherent to the project because MMK did not have an adequate or precise understanding of its objectives. To mitigate risks at all project stages, the risks are determined and evaluated, measures aimed at minimising these risks are developed and implemented, and a financial and economic assessment of their efficiency is carried out at the stage of project development.

Legal risks

Risks attributable to amendments in Russian tax legislation

MMK is one of the largest taxpayers in the Russian Federation and bears the burden of value-added tax, income tax, extraction tax, property tax, land tax, natural resource payments and collections. Amendments to tax regulations that introduce increases to existing tax rates or new taxes can have an unfavourable impact on MMK's performance. In the course of its activities, MMK monitors modifications to tax legislation, as well as the enforcement of existing regulations. The Company takes part in the law-making process by providing assessments of tax bills. MMK assesses and tries to predict the level of potential negative changes in the tax legislation in an effort to minimize the risks attributable to such changes.



Risks attributable to amendments of foreign exchange regulations

The Russian Government's currency control policy can be evaluated as favourable. The control of currency relations is governed by Federal Law No 173-FZ 'On Currency Regulation and Currency Control' of 10 December 2003, and by foreign currency regulations and acts of control agencies adopted in connection therewith.

Risks attributable to amendments in customs and duties regulations

MMK is exposed to certain risks that are attributable to amendments to the state regulation of foreign trade, as well as amendments to the Customs Union legislation governing procedures for transferring goods across Customs Union borders, for determining and applying customs procedures, and for assessing, introducing and levying customs duties.

The Company meets the customs control requirements, issues all documentation required for export and import operations in due time and has financial and human resources at its disposal that are sufficient to meet the customs rules and guidelines.

In case of the introduction of special customs duties for individual imported and exported goods, MMK will take all necessary steps to mitigate this risk.

Risks attributable to amendments in licensing requirements

Improvements to current legislation on mineral resources are based on detailed state regulation of subsurface management, enhanced rational utilisation of mineral resources and close control of environment regulations.

MMK runs its operations at licensed sites in accordance with the strict requirements of RF Subsoil Law, and ensures that its license agreements are updated in compliance with changes in the applicable legislation. The legal risks associated with changes in licensing requirements for MMK's main activities may have only a minor adverse effect since the Company possesses all the necessary capital assets and facilities, and conducts its business in compliance with the norms of existing Russian law.

Risks associated with updates to judicial practice

There is a certain element of uncertainty with respect to judicial practice in matters affecting MMK. This is the result of the adoption of numerous laws and, as a result, the accelerated development of law-enforcement activities. However, since the Company aims to conduct its business in strict compliance with the law and is extremely cautious towards any legal risks, changes in judicial practice (including matters on licensing activities) that could have a significant effect on the Company's results or on the results of legal proceedings it may take part in are hardly likely. The Company monitors the judicial decisions of the higher courts on a regular basis and assesses trends in terms of legislative and regulatory compliance practices that are formed at the level of federal district commercial courts. The Company does this not only to protect its rights in the judicial process but also to settle legal matters arising in the course of the Company's business.

Environmental risks

The Company conducts its business in compliance with its approved Environmental Policy, pursuing the strategic goal of minimising the Company's possible impact on the environment and health of the population and the Company's personnel. MMK's production activities comply with the requirements of environmental legislation.

The key guidelines for the Company's environmental activities are the implementation of atmosphere protection measures, the application of energy- and resources-saving technology, allowing for the maximum possible recovery of industrial waste, compliance of commissioned facilities with environmental regulations, and the continuous improvement of the environmental management system.

Property risks

MMK implements property risk control procedures by means of insurance. MMK maintains the following types of insurance:

- property insurance;
- insurance against construction and assembly risks;
- voluntary health insurance;
- compulsory health insurance;
- personnel insurance (MMK employees' accident insurance);
- directors' and officers' liability insurance.

In addition, MMK manages its engineering and manufacturing risks within the corporate labour and industrial safety management system (the SUPBOT System), which has been consistently certified for compliance with the international OHSAS 18001:1999 standard.



MAGNITOGORSK IRON & STEEL WORKS

CORPORATE SOCIAL RESPONSIBILITY

MMK considers social responsibility projects to be long-term investments that provide a basis for the Company's sustainable growth and that generate interest in new products and technologies.

The main vehicle for achieving the above-mentioned goals is the development of personnel, which means investment into the formation of loyal and responsible employees. Therefore, MMK pays special attention to the development of a wholesome social situation within the Company and in the city of Magnitogorsk and implements a range of social and infrastructure projects and programmes.

The Company has been developing and successfully implementing social programmes for its employees. The basis for such programmes is the establishment of favourable conditions for the resolution of all issues related to day-to-day life: medical treatment and services, health improvement and recreation, formation of a healthy lifestyle, improvement of living conditions, cultural programmes, and social support for veterans, disabled people, mothers and multi-child families.

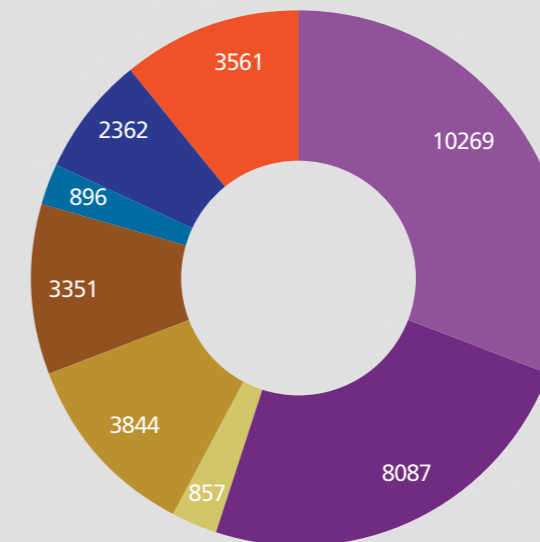
In 2013, MMK Group spent RUB 1,560 million (from all sources) for the implementation of its social policy, which includes at least 16 ongoing social and charitable programmes, as well as other projects in the social sphere.

The social package of benefits and guarantees

In addition to paying its employees their salaries, MMK also offers a so-called social package to encourage labour productivity and optimise costs associated with human resources management.

In 2013, the parent company (OJSC MMK) allocated RUB 708.7 million for this social package of benefits and guarantees for the Company's employees, meaning the average yearly costs per employee amounted to RUB 33,227, an increase of 2.6% compared to the previous year.

Expenditures per one employee, RUB.



- Medical services
- Sanatorium and spa treatment
- Children's health care and recreation
- Expenditures on supporting sports activities and healthy lifestyle
- Catering
- Supplementary pension
- Cultural events
- Other expenditures (festivities, presents, ceremonial services, youth-oriented programmes, birth incentive programme, etc.)



OJSC MMK'S HUMAN RESOURCES POLICY

Guidelines for OJSC MMK and MMK Group companies HR policy for 2013

- 1) Ensuring production quality by training staff in respect of technology;
- 2) Organising targeted training at Magnitogorsk State Technical University (programmes of higher professional education) to ensure that young specialists have an adequate level of qualifications in order to operate the high-technology equipment at OJSC MMK;
- 3) Forming and developing the professional managerial competencies of managers and other personnel in the pool of managers;
- 4) Monitoring and coordinating MMK Group personnel departments in respect of implementation of a uniform corporate personnel policy.

In accordance with the approved HR Management Strategy and Guidelines of OJSC MMK and MMK Group Companies HR Policy for 2013, there are systems of interaction with each stakeholder taking part in training and developing the human resources within MMK Group. Training of human resources for MMK Group starts with occupational guidance for schoolchildren in Magnitogorsk:

- MMK Group Companies patronise 51 Magnitogorsk Schools; as part of a charitable assistance project, OJSC MMK invested RUB 2.8 million for the preparation of classrooms for the start of the school year;
- MMK runs Victor F. Rashnikov's charitable programme called Talented Children of Magnitka (RUB 650,000 in 2013), which is aimed at providing financial assistance for talented children studying at educational institutions in the city;
- MMK arranged production site tours and visits to MMK's museum for 3,000 schoolchildren; MMK organizes, on a regular basis, Open-Doors Day at professional training institutions (the Polytechnic College, the university complex at Magnitogorsk State Technical University (MGU)).

OJSC MMK supported a team of students from the Polytechnic College who won the national competition WorldSkills Russia and took part in the worldwide WorldSkills project in Leipzig in the category of Mechatronics.

Officers and specialists from MMK Group take part in state attestation commissions at MGU's university complex according to their particular professions. In 2013, MMK selected and employed 492 graduates from professional training institutions.

Employees, specialists and managers develop their professional competences in various technologies at the Personnel Autonomous Non-Profit Organisation Corporate Centre for Professional Training.

MMK runs a system for the development of managerial competence and skills for managers at all levels. As part of this system, the following institutions conduct training: ANO KTSPK Personnel, Stockholm School of Economics (Sweden), Vlerick Business School in Leuven (Belgium), International School of Business - The Financial University of the RF Government, International Management Institute in StPetersburg, and the Moscow International Higher Business School (MIRBIS).

In total, 15,976 employees were trained at OJSC MMK in 2013.



LABOUR AND INDUSTRIAL SAFETY

The corporate labour and industrial safety management system (SUPBOT System) has been certified for compliance with international OHSAS 18001:2007 standards. Certification areas includemining, the coke and chemical by-products division, and the production of steel products, including all production stages.

In the period from 26 February 2013 to 1 March 2013, Bureau Veritas Certification carried out an audit of OJSC MMK's SUPBOT System for compliance with OHSAS 18001:2007. The audit revealed no violations. It was recommended that the relevant OHSAS 18001:2007 compliance certificate be extended.

In 2013, 73 procedures were carried out pursuant

to the Labour Safety Agreement to improve working conditions and prevent occupational illnesses. Working conditions were improved for 2,233 workers.

Pursuant to Federal Law No 116-FZ 'On Industrial Safety of Hazardous Industrial Facilities' of 21 July 1997, 61 facilities are registered in the state register of hazardous industrial facilities.

Pursuant to the requirements of Federal Law No 117-FZ 'On the Safety of Hydraulic Structures' of 21 July 1997, sludge depository No 2 (RegNo 00185, dated 27.03.2007) was registered in the Russian Register of Hydraulic Structures.

No major accidents took place in 2013.

Production accidents

Indicator	2012	2013
Total accidents recorded	20	10
Total injured persons	21	10
Including:		
Fatal	5	2
Severe	6	3
Group	1	0
Frequency rate	0.943	0.473
Severity rate	56.66	63.75
Work days lost	680	510
Sick lists ended	12	8

Total OJSC MMK losses resulting from production incidents in 2013

Indicator	2012	2013	Change
Number of incidents	36	22	-38.88%
Downtime, hours	269.3	879	+69.36%
Not produced, thousands of tonnes	58.6	198.1	+70.42%
Material damage, RUB millions	212.1	203.4	-4.27%

Labour safety costs, RUB millions

Description	2012	2013
Training and assessment of employees' knowledge regarding compliance with the requirements of the SUPBOT system	12.4	9.6
Provision of personal protective gear (by depreciation)	185.0	146.5
Maintenance of shower rooms	239.6	218.3
Medical and preventive treatment services	89.9	96.0
Compensation for hard labour and for harmful and/or hazardous labour conditions	468.6	501.6
Assessment of workplaces with respect to working conditions	22.2	21.1
Deratisation	1.8	1.8
Posting of road signs	1.0	1.1
State technical inspection of vehicles	0.6	0.7
Administrative and technical measures aimed at improvement of working and labour safety conditions	95.1	83.9
Equipment and other facilities to improve working conditions	51.4	31.3
Total labour safety costs	1,167.6	1,111.8



MAGNITOGORSK IRON & STEEL WORKS ENVIRONMENTAL PROTECTION

MMK's production activities comply with both Russian Federation environmental protection laws and ISO 14001:2004 international standards.

The Environmental Management System (EMS), certified under ISO 14001 by specialists from the international certifying body TUV NORD CERT GmbH (Germany), has been efficiently implemented at OJSC MMK since 2004.

In October 2013, specialists from TUV NORD CERT conducted a recertification audit of the EMS, extending the range of certification and involving Rolling Shop No 11. Based on the results of this audit, OJSC MMK received a Certificate of Compliance from the EMS with the requirements of ISO 14001, which is valid until 18 November 2016.

OJSC MMK management and personnel view minimising the Company's impact on the environment as a strategic goal and a key element of its long-term sustainable growth. Production activities are carried out with due respect for MMK's environmental responsibility.

OJSC MMK's Environmental Policy was developed and is implemented as part of the environmental management system to pursue the Company's strategic objective of continuous mitigation and prevention of OJSC MMK's harmful impact on the environment.

The Environmental Policy sets forth the following long-term objectives:

- reduction of emissions into the atmosphere and water;
- proper disposal or recycling of industrial waste and land reclamation; and
- efficient use of natural and power resources.

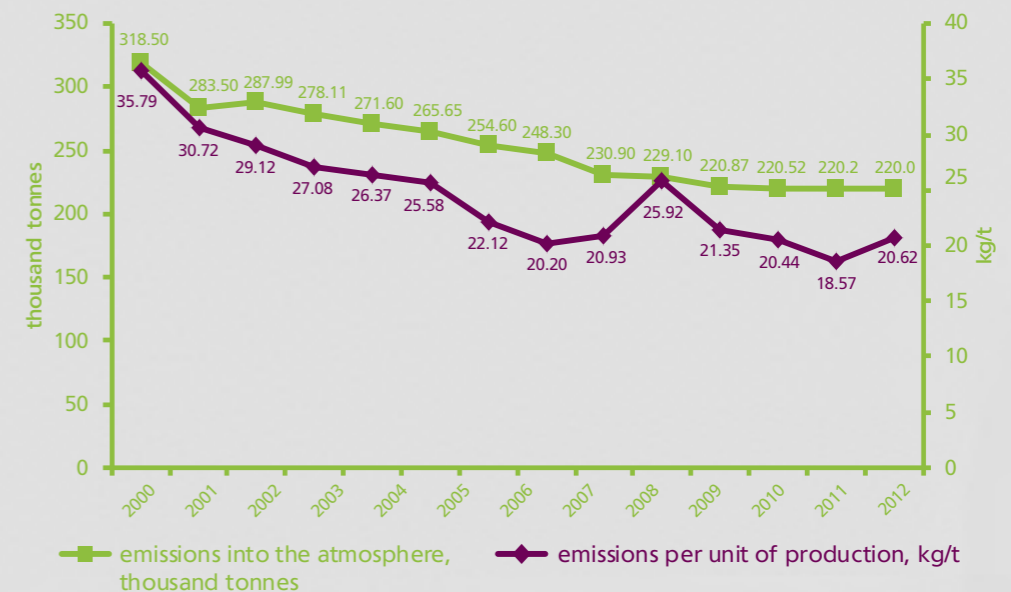
The implementation of OJSC MMK's Environmental Policy in 2013 enabled the Company to reduce its impact on the environment:

- Total emissions into the atmosphere at Magnitogorsk (as compared to 2012) declined by 221 tonnes to 220,000 tonnes.
- Total effluent emissions into water sources (from seven discharge points) decreased by 9,510 tonnes, down 8.35% from 2012, amounting to 104,310 tonnes.
- 11.3 million tonnes of smelter slag was processed by specialised plants, and 2,400 tonnes of industrial waste was used as recycled material resources;
- 9.1 million tonnes of industrial waste was used for one of the technical stages for the reclamation of a depleted iron ore mine;

- The following activities were carried out: recultivation of disturbed soils over an area of 30,000 m² (the first part of the depleted Magnitnaya iron ore deposit), forming a fertile soil layer, permanent grass seeding, and the planting of –1,519 trees and shrubs;
- OJSC MMK's power consumption per tonne of steel was 6.27 GCal, i.e. 0.07 GCal lower than in 2012.

Reducing air pollution is a priority for OJSC MMK environmental activities.

Changes in Pollutant Emissions into the Atmosphere





Discharge of pollutants into the atmosphere, tonnes/year

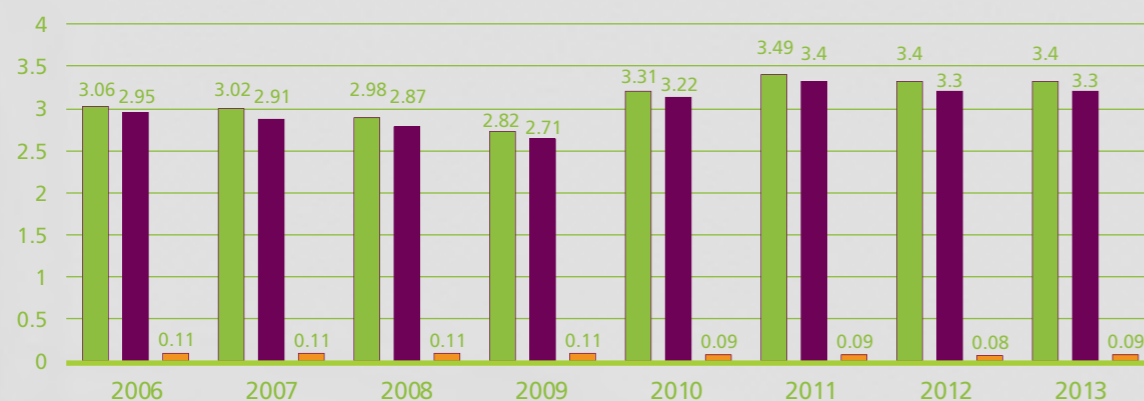
Pollutant	Discharge in 2012, tonnes	Discharge in 2013, tonnes
Particulate matter (dust)	26,286.8	26,141.9
Nitrogen oxides	15,590.2	15,580.6
Ammonia	444.1	444.1
Hydrogen sulphide	60.9	60.9
Sulphur dioxide (SO ₂)	16,132.5	16,101.3
Carbon monoxide	153,528.2	153,509.0
Phenol	96.1	96.1
Other	8,083.9	8,068.0
Total discharge	220,222.8	220,001.8

OJSC MMK's water conservation strategy is based on the use of recirculated water for its technical water supply to the maximum extent possible. In 2013, over 97% of OJSC MMK's total technical water consumption used recirculated water.

In 2013, OJSC MMK discharged wastewater from seven discharge points into three surface water bodies:

- within the city limits, from the water recirculation cooling system into the Magnitogorsk Reservoir (recreational water body): 242,812,470 m³;
- within the city limits from the Co-generation Power Plant's ash disposal area into the Magnitogorsk Reservoir: 2,498,400 m³;
- from sludge deposit No 2 into the Sukhaya River (commercial fishing water body): 3,288,300 m³;
- mine waters from the lime pit into the Ural River (commercial fishing water body): 27,542,110 m³;
- mine waters from the dolomite pit into the Ural River: 4,041,770 m³;
- from the crushing and calcination shop into the Ural River: 520,000 m³; and
- within the city limits from the Co-generation Power Plant's cooling system into the Magnitogorsk Reservoir: 103,972,350 m³.

Changes in Water Supply and Water Consumption



- general water supply (including circulation water supply and consumption from the Magnitogorsk Reservoir), billions of m³/year
- circulation water supply, billions of m³/year
- water consumption from the Magnitogorsk Reservoir, billions of m³/year

The use of industrial waste in the production and reclamation of exhausted ore mining pits is a key priority for MMK.

Presently, the total capacity of MMK's slag-processing facilities is 11.3 million tonnes per year. The total volume of MMK's metallurgical slag dumps exceeds 60 million tonnes.

At current production levels, these slag dumps will be fully processed within six to nine years.

Discharge of main pollutants into surface water, t/y

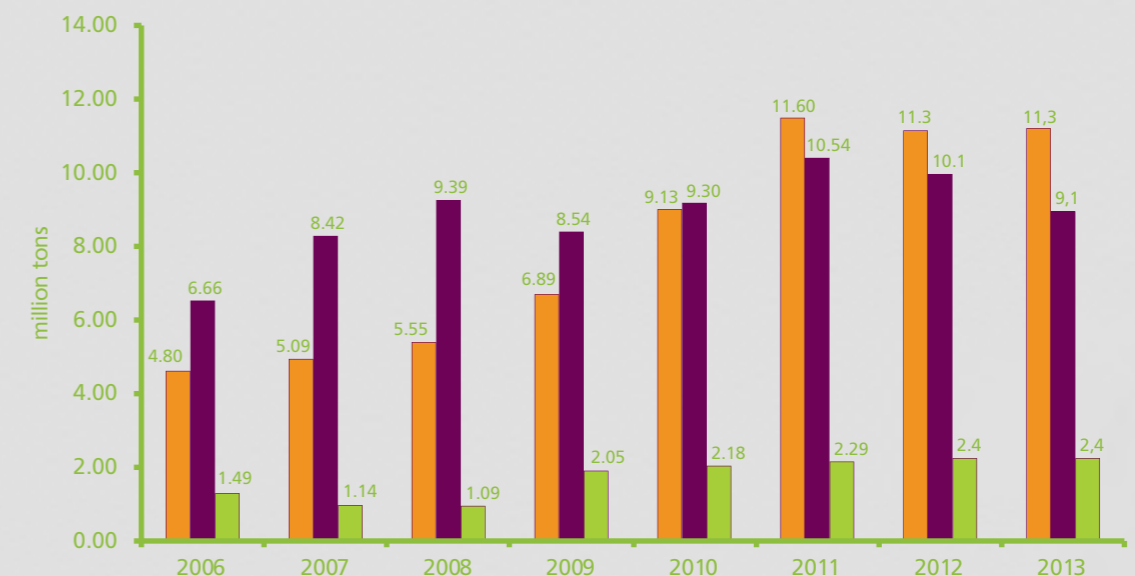
Pollutant	Discharge in 2012, tonnes	Discharge in 2013, tonnes
Ferrum, total	43.7	58.7
Manganese	11.1	8.1
Petroleum products	64.2	70.1
Sulphates	39 338.7	40 597.4
Fluorides	255.0	195.9
Zinc	31.7	33.2
Other	74 072.9	63 347.2
Total discharge	113 817.4	104 310.6

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OJSC MMK waste-recycling dynamics



- total sintering slag (operating and dump) processed, million tonnes
- slag and wastes used for reclamation of abandoned open-pit mines of the Magnitnaya Mountain, million tonnes
- industrial waste used in the sinter mix of the Ore-Dressing Plant, million tonnes

MAGNITOGORSK IRON & STEEL WORKS

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CORPORATE GOVERNANCE

Corporate governance objectives:

MMK is committed to meeting global standards of good corporate governance. The Company believes that strong governance, combined with solid financial performance, make MMK a reliable partner for investors.

MMK's corporate governance aims to increase the Company's value while balancing the interests of all stakeholders.

The Company seeks to achieve this by:

1. Protecting the rights and interests of all shareholders;
2. Ensuring transparency of information about the Company's activities;
3. Establishing a governance structure to support the Company's strategic management, and to oversee and ensure management accountability; and
4. Building trust-based relations with all key stakeholders, including shareholders, suppliers, customers and employees.

MMK's corporate governance guidelines and procedures are set out in the Company's Corporate Governance Code, which was approved by MMK's Board of Directors on 21 September 2001 and is available on the Company's website: http://eng.mmk.ru/corporate_governance/internal_documents/code_of_corporate_governance/.

The Company has also adopted a Code of Business Ethics, which was approved by the Board of Directors (last revision on 13 December 2013). The Code of Business Ethics and other corporate bylaws can be found on the Company's website at: http://eng.mmk.ru/corporate_governance/internal_documents/.

The following changes were made to corporate governance practices at OJSC MMK in 2013:

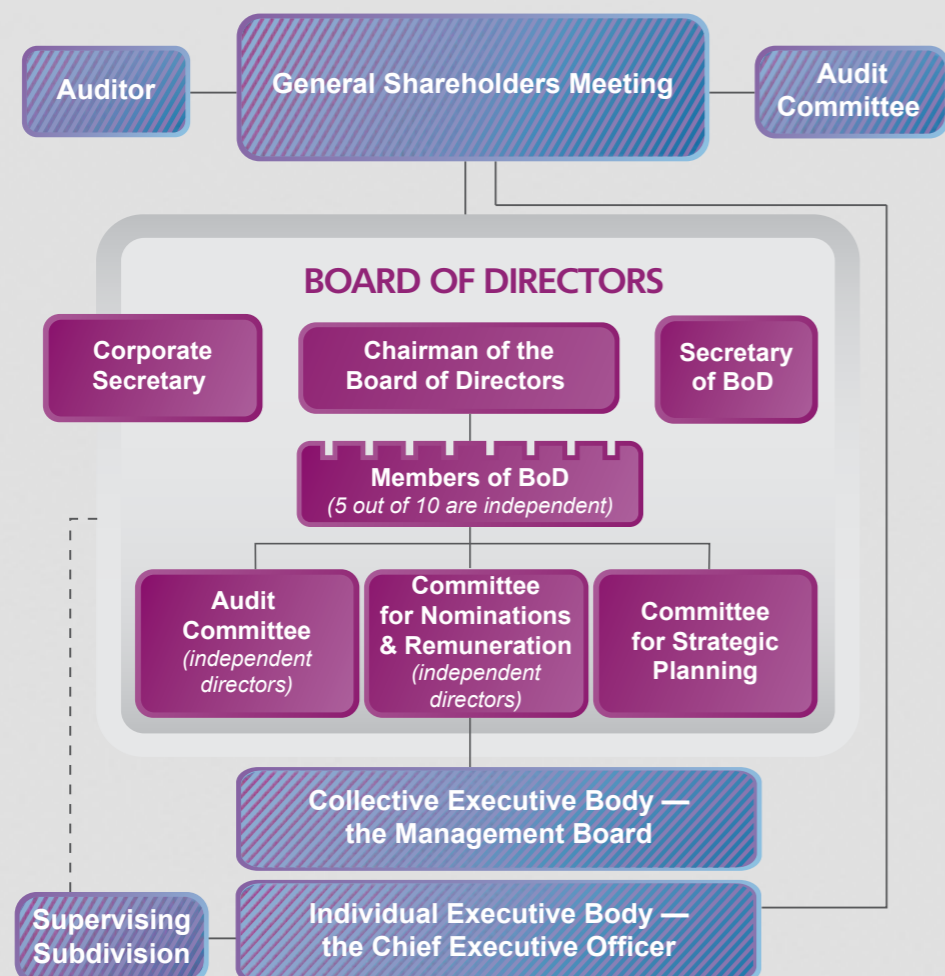
- To improve company management, and in response to changes in Russian legislation, the Company's Charter was amended as follows:
 - Issues (as independent and separately considered) regarding capital construction, technical development and the development of a corporate information system were removed from the competence of the Board of Directors (BoD) as they are already taken into account in the context of the Company's strategy for investment activities;

- The competence of the BoD regarding the approval of long-term plans and programmes with respect to HR policy was supplemented with the publication of a document called 'Motivation for career development and the establishment of a succession pool'.
- The competence of the General Shareholders Meeting was supplemented to include the right to propose a delisting of the Company's shares and issued securities convertible into shares'.
- The competence of the BoD was supplemented by the publication of a document called 'Making an application for a listing of shares and issued securities convertible into shares'.
- Provisions of MMK's Charter were adjusted in accordance with legislation regarding the payment of dividends, including the date on which the persons entitled to receive dividends are to be determined.
 - The number of Audit Commission members was changed from 10 to four.
 - The Regulations on the General Shareholders Meeting was amended (adjusted procedures for the preparation and holding of the General Shareholders Meeting).
 - The Regulations on the BoD Committees for Audit and Nominations and Remuneration were supplemented with a commitment to hold not fewer than two meetings by personal attendance.

MMK's corporate governance rating

In June 2013, the Russian Institute of Directors confirmed MMK's NRKU-8 rating for best corporate governance practice. The rating assessed the risks associated with the Company's corporate governance as low, showing that MMK meets Russian corporate governance requirements and follows most recommendations of the Russian Code of Corporate Behaviour and several recommendations of international corporate governance best practice.

MMK GOVERNANCE STRUCTURE



The General Shareholders Meeting is MMK's highest governing body.

The Board of Directors is in charge of managing the Company's activities except for matters that are the responsibility of the General Shareholders Meeting. The Board of Directors is also responsible for overseeing the implementation of resolutions adopted by the Board of Directors or the General Shareholders Meeting.

The Management Board (the collegial executive body) and the Chief Executive Officer (CEO; the individual executive body) manage the Company's day-to-day operations.

In accordance with Russian legislation and international standards, the Company's Audit Commission and an independent auditor exercise oversight over the Company's financial and economic activities.

In order to monitor internal oversight over the Company's financial and operational activities (including the performance of financial and economic schedules) by its administrative bodies and structural departments, to ensure independent assessment of the internal oversight and risk management systems, to monitor the establishment and efficient performance of the internal oversight system within the Company, to ensure compliance with the approval procedures for the non-standard operations and solving other issues (tasks), the Company has established an Auditing Administration that is independent from the executive body of the Company.

INFORMATION ON THE COMPETENCES AND OPERATING PROCEDURES OF THE GOVERNING BODIES

General Shareholders Meeting

The General Shareholders Meeting is MMK's highest governing body.

Shareholders who own at least 2% of the Company's ordinary voting shares are entitled to propose issues for the agenda of Annual General Shareholders Meetings and to nominate candidates to the Board of Directors and Audit Committee, whose number shall not exceed the number of members of that body, and a candidate for the position of the individual executive body. Proposals must be submitted to the Company no later than 40 days after the end of the financial year.

A notice about the General Shareholders Meeting must be sent to each person specified in the list of persons entitled to participate in the General Shareholders Meeting by registered mail no later than 30 days before the date of the meeting, with an announcement being published in the *Magnitogorsky Rabochiy* and *Magnitogorsky Metall* newspapers.

The Company may additionally inform shareholders of the General Shareholders Meeting using other mass media (television and radio), and by posting the notice on the Internet at: http://www.mmk.ru/corporate_governance/disclosure_of_information/materials_to_the_shareholders_meeting/.

A registrar performs the functions of a returning officer (CJSC STATUS).

Registration of persons entitled to participate in the General Shareholders Meeting held in person takes place at the meeting venue starting at the time specified by the Board of Directors, and continues until the end of the meeting.

Voting on agenda items is conducted by ballots. Ballot papers must be sent to shareholders by registered mail no later than 30 days before the date of the meeting.

Resolutions adopted by the General Shareholders Meeting and voting results must be announced at the meeting at which the voting takes place. Persons entitled to participate in the General Shareholders Meeting should be notified within 10 days of the preparation of a record of the voting results. The report will be published in the *Magnitogorsky Rabochiy* and *Magnitogorsky Metall* newspapers.

Board of Directors

The Board of Directors has overall responsibility for the Company's activities and oversees the implementation of resolutions adopted by the General Shareholders Meeting and the Board of Directors.

The Company's Board of Directors consists of 10 members, five of whom are independent. The Chairman of the Board of Directors is Victor Rashnikov.

Election of members of the Board of Directors:

Members of the Company's Board of Directors are elected by the General Shareholders Meeting by cumulative voting for one term until the following Annual General Shareholders Meeting.

In line with best Russian and international corporate governance practices, independent directors are elected to the Board of Directors to enhance the oversight, transparency and efficiency of the Company's governing bodies. MMK's independent directors are Peter Charow, Sir David Logan, Zumrud Rustamova, Bernard Sucher and David Herman.

The criteria for the independent directors used by MMK are in line with those of the UK Corporate Governance Code.

Specifically, members of the Board of Directors are deemed independent directors if they meet the following requirements:

- members who at the moment of election or for a term of five years previously are not or have not been officers or employees of the Company or the Group's companies;
- members who at the moment of election or for a term of three years previously do not have or have not had any material commercial relations with the Company directly or as a partner, shareholder or member of the governing bodies of an organisation involved in commercial relations with the Company;
- members who are not and have not been entitled to any additional remuneration from the Company, except for remuneration paid to members of the Board of Directors; members who do not participate in option plan(s) of the Company or in remuneration schemes based on the Company's performance; members who are not members of the Company's pension fund (pension programmes);
- members who are not closely related (spouses, parents, children, full and half siblings, adoptive parents and adoptees) to any member of the Company's Board of Directors or CEO;
- members who do not sit with other members of the Company's Board of Directors on the Boards of Directors of other companies, and who do not have similar significant relations with other members of the Board of Directors of the Company through participation in governing bodies of other companies; and
- members who have not formed part of the Board of Directors of the Company for more than nine years from the date of their initial election to this position.

To be nominated for election to the Board of Directors, a candidate must have knowledge sufficient for making strategic decisions, including on issues related to environmental and social risks and responsibilities.



Decision making

Board responsibilities are set out in the Company's Charter, which is available at: http://eng.mmk.ru/corporate_governance/internal_documents/.

A member of the Board of Directors, Audit Committee, the Company's auditor or the CEO may propose an item for inclusion in the agenda of a meeting of the Board of Directors in writing to the Chairman of the Board of Directors.

The quorum for holding a Board meeting is at least half of the elected Board members, on condition that at least two independent directors take part in the meeting provided that such members of the Board were elected and have not exited from the Board of the Company.

In case the number of Board members is fewer than the number required for the quorum, the Board of Directors should make a decision to hold an Extraordinary General Shareholders Meeting to elect a new team to the Board of Directors. The remaining members of the Board are entitled to make a decision only for convening such an Extraordinary General Shareholders Meeting.

In taking decisions at Company Board meetings, each Board member has one vote.

Voting on agenda items at Board meetings is open and by name.

It is prohibited to transfer votes from Board members to other persons, including other Board members.

Board decisions are taken by a majority of Board members present at the meeting unless otherwise provided for by law, the Company's Charter and the Regulation on the Board of Directors.

In determining the quorum and the voting results, the Board takes into account the opinion, submitted in writing, of any Board member absent from the meeting.

Such Board members must submit a written opinion to the Chairman of the Board prior to the Board meeting.

The Board Chairman announces the written opinion of any such Board members prior to voting on each issue on the agenda.

In the event that a Board member who submitted an opinion before the meeting is then present at the meeting, their written opinion is disregarded.

Information about the changes in the Board of Directors' membership in 2013

The membership of the Board of Directors of OJSC MMK was not changed.

Assessment of the Board of Directors' and committees' activity

The Board members noted progress in maintaining a productive relationship between the Board and senior management, the high quality of the organization of committee and board meetings, the professionalism of senior managers and Board members, as well as the Company's sincere desire to adhere to the highest international standards of corporate governance.

The Board members also recommended focusing more on the most important issues facing the Company (strategy, budget approval, corporate social responsibility) at meetings of the Board of Directors, and indicated the need for better preparation of materials for meetings of the Board of Directors and its committees.

They also noted that further improvements could be made in the Company's corporate governance practices with respect to the Corporate Governance Code developed by the Bank of Russia.

Remuneration of members of the Board of Directors

Criteria for determining the remuneration of Board members are set out in the Regulation on Remunerations and Compensation of Expenses of Members of the Board of Directors: http://eng.mmk.ru/corporate_governance/internal_documents/group_documents/.

The Board's Nominations and Remuneration Committee gives recommendations to the Board of Directors about the amount of remuneration to be paid to the members of the Board.

Remuneration and reimbursement of expenses of members of MMK's Board of Directors are approved by the General Shareholders Meeting on an annual basis according to recommendations made by the Board of Directors.

Remuneration for MMK's Board of Directors is comprised of fixed remuneration for performance of duties and additional remuneration. The amount of fixed remuneration is specified in the agreement executed with the members of the Board of Directors as set forth in the Regulation on the Board of Directors.

Additional remuneration is paid to the Company's independent directors for participation:

- in meetings of the Board of Directors;
- in adoption of a resolution by the Board of Directors by absentee voting or through provision of a written opinion of an absent member of the Board of Directors.

Reimbursement of expenses related to the performance of their functions as a member of the Board of Directors is paid in accordance with submitted documents confirming such incurred expenses.

The number of meetings of the Board of Directors (in person and in absentia):

For the period from 1 January 2013 through 31 December 2013, the Board of Directors held 16 meetings, six of which were in-person meetings and 10 were by absentee voting. The Board of Directors considered 140 issues.

Information on attendance at the Board's meetings:

For the period from 1 January 2013 through 31 December 2013, the following members of the Board of Directors took part in the Board's meetings (absentee voting), including:

Vitaly Bakhmetiev – 16 meetings (absentee voting);

Boris Dubrovsky - 16 meetings (absentee voting);

Nikolay Lyadov - 16 meetings (absentee voting);

Sir David Logan - 16 meetings (absentee voting);

Victor Rashnikov - 16 meetings (absentee voting);

Olga Rashnikova - 16 meetings (absentee voting);

Zumrud Rustamova - 15 meetings (absentee voting);

Bernard Sucher - 15 meetings (absentee voting);

David Herman - 16 meetings (absentee voting);

Peter Charow - 16 meetings (absentee voting).

Functions of the Chairman of the Company's Board of Directors

Pursuant to Article 7 of the Regulations 'On the Board of Directors of OJSC MMK', the following functions of the Chairman of the Company's Board of Directors were approved by General Shareholders Meeting Decision No 32 of 20 May 2011.

In accordance with the above-mentioned article, the Chairman of the Company's Board of Directors shall:

- 1.1 organise the work of the Board and ensure the efficient functioning of the Board and its committees;
- 1.2. call the Board's meetings and arrange for the timely and proper notification of the Board members of a meeting being called;
- 1.3. ensure that agendas are drafted for Board meetings;
- 1.4. take all necessary steps to promptly provide to the Board members all information and materials necessary for taking decisions on

agenda items;

1.5. preside over Board meetings, and ensure compliance with the procedures for conducting such meetings;

1.6. organise the work to arrive at the best possible decisions on the agenda's items;

1.7. ensure opportunities for all Board members to voice their opinions on the issues under discussion, and a constructive and friendly atmosphere at Board meetings, and facilitate the search for concerted decisions by the Board members in the interests of the Company's shareholders;

1.8. decide whether the Board of Directors will adopt resolutions by absentee voting and organise the procedure for such voting;

1.9. arrange for the keeping of minutes at Board meetings, sign such minutes and bear responsibility for their correctness and timeliness;

1.10. preside at General Shareholders Meetings;

1.11. monitor the execution of resolutions adopted by the Board of Directors and the General Shareholders Meeting;

1.12. maintain liaison and contacts with other bodies and employees of the Company for obtaining, in a timely manner, the fullest possible and reliable information necessary for the Board of Directors to adopt decisions, and ensuring effective interaction between such bodies or employees of the Company and third parties;

1.13. request documents from the individual executive body (General Director) regarding the Company's activities necessary for the organisation of the Board's functioning.



Committees of the Board of Directors

To improve the efficiency of the work of the Board of Directors and its resolutions, MMK has set up the following committees:

- Audit Committee;
- Nominations and Remuneration Committee;
- Strategic Planning Committee.

These committees submit performance reports to the Board of Directors no later than 30 business days before the Annual General Shareholders Meeting.

	Audit Committee	Nominations and Remuneration Committee	Strategy Committee
Committee Functions	<ul style="list-style-type: none"> - Selection of the independent auditor. - Oversight over the Company's financial and business activities. - Interaction with the Company's auditor. - Evaluation of the performance of the Company's internal oversight function. - Evaluation of the performance of internal oversight over the Company's financial reporting. - Oversight over the Company's comprehensive risk management system and analysis of risk management efficiency. - Approval of long-term plans, programmes, policies and guidelines regarding industrial and labour safety and environmental protection for the Company and Group companies. - Other functions. 	<ul style="list-style-type: none"> - Approval of long-term plans, programmes, policies and guidelines for the Company and Group companies in HR, management structure, personnel incentivisation and remuneration, and corporate governance. - Preliminary review of candidates for positions on the Company's governing bodies and Audit Commission, and presentation of recommendations to the Board of Directors. - Review of nominees for the Company's Board of Directors, Audit Commission and CEO proposed by shareholders. - Preparation of recommendations for the Board of Directors regarding remuneration and compensation for members of the Board of Directors (including executive directors of the Board) and members of the Company's Audit Commission. - Approval of the Company's corporate key performance indicators. - Other functions. 	<ul style="list-style-type: none"> - Determination of priorities for the Group's activities and development strategy. - Approval of long-term plans, programmes, policies and guidelines for the Company and Group companies in sales, raising and investment of funds, social policy, raw materials and equipment procurement, and production. - Approval of the Company's financial and business operations plan (budget) for the financial year and oversight over implementation. - Calling of annual and extraordinary general shareholders meetings. - Recommendations for the General Shareholders Meeting on profit distribution. - Supervision of execution of resolutions of the Board of Directors by the Company's executive body. - Other functions.

Committee membership:	2013 r.	2013 r.	2013 r.
Chairperson:	Peter Charow (independent director)	Zumrud Rustamova (independent director)	Victor Rashnikov
Members:	Zumrud Rustamova (independent director); Bernard Sucher (independent director)	Sir David Logan (independent director); David Herman (independent director)	Vitaly Bakhmetiev; Boris Dubrovsky; Nikolai Lyadov; Olga Rashnikova; David Herman (independent director); Peter Charow (independent director);

	Audit Committee	Nominations and Remuneration Committee	Strategy Committee
Total meetings in 2013	10	9	8
Key issues:	<ul style="list-style-type: none"> - Efficiency of the internal oversight function. - Risk management efficiency. - Internal audit of MMK and MMK Group. - Report on the audit of OJSC MMK's consolidated financial IFRS accounts by KPMG. - Determination of the amount of remuneration to be paid to OJSC MMK's auditor; recommendations to the Annual General Shareholders Meeting regarding a candidate for the position of auditor. - Improvement of the Company's industrial and labour safety, environmental management system. - Evaluation of the effectiveness of internal audit control over the Company's financial statements. 	<ul style="list-style-type: none"> - Recommendations to the Annual General Shareholders Meeting regarding the amount of remuneration and compensation payable to the members of the Board of Directors and the Audit Commission. - Consideration of proposals submitted by shareholders regarding candidates for the Board of Directors and Audit Commission, and inclusion of such candidates in the voting ballot for elections to the Board of Directors and Audit Commission. - Key performance indicators. - Forming a pool of candidates for employment at MMK. - Implementation of guidelines for MMK Group's HR policy, improvement of MMK Group's management structure, incentivisation and remuneration policy. - Approval of criteria for evaluating activities of the Company's Board of Directors by members of the Board of Directors and its committees. - Evaluating the activities of the Company's Board of Directors and its committees. 	<ul style="list-style-type: none"> - Results of financial and business activities of MMK and MMK Group. - Approval of the financial and business operations plan (budget) for OJSC MMK and MMK Group for the 2013 financial year. - Recommendations to the Annual General Shareholders Meeting regarding the size of the dividend and procedure of dividend payments. - CEO's report on current activities. - Approval of MMK Group's strategic development plan through 2022. - Implementation and approval of guidelines for sales, raising and investment of funds, social policy, raw materials and equipment procurement, production programme, etc. - Implementation of guidelines for management of Group companies. - Review of programmes for improving production and financial indicators of MMK Group companies. - Calling and conduct of the Annual General Shareholders Meeting.
Regulations:	http://eng.mmk.ru/corporate_governance/internal_documents/group_documents/		

Full Name	Meetings of the Board of Directors		Meetings of the Audit Committee		Meetings of the Nominations and Remuneration Committee		Meetings of the Strategic Planning Committee	
	Participation in meetings	Total meetings	Participation in meetings	Total meetings	Participation in meetings	Total meetings	Participation in meetings	Total meetings
Victor Rashnikov	16						8	
Vitaly Bakhmetiev	16						8	
Boris Dubrovsky	16						7	
Nikolai Lyadov	16						8	
Olga Rashnikova	16	16		10		9	8	8
Sir David Logan	16				9			
Zumrud Rustamova	15		10		9			
Bernard Sucher	15		10					
David J. Herman	16				9		8	
Peter Charow	16		10				8	

Information about members of the Board of Directors (background profile and holding of shares within financial year)

Membership of the Board of Directors (as of 1 January 2014):



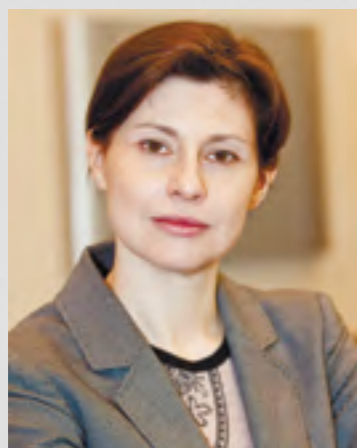
Victor Rashnikov

(born 1948) – Chairman of OJSC MMK Board of Directors, President of LLC MMK Managing Company; Russian citizen; member of the Board of Directors since 2 February 1993; has represented the interests of an OJSC MMK shareholder, Mintha Holding Limited; since 1999, President of the Metallurg Ice Hockey Club; since 2001, member of the Management Board of the Autonomous Non-Profit Organisation Medical Care Unit of the City Administration of Magnitogorsk and OJSC MMK; since 2005, member of the Board of Directors of the World Steel Association (formerly International Iron and Steel Institute); since 2008, member of the Management Board of Directors of the LLC Continental Hockey League; since 2010, President of the Russian Steel Consortium partnership; since 2011, Chairman of the Board of Directors of MMK Metalurji Sanayi, Ticaret ve Liman İşletmeciliği Anonim Şirketi; and member of the Chelyabinsk Region's Legislative Assembly.
Education: Graduate of the Magnitogorsk Institute of Mining and Metallurgy in metallurgical engineering (1974); graduate of the Magnitogorsk Academy of Mining and Metallurgy in management (1993); PhD; Professor.



Sir David Logan

(born 1943) – since 2005, Chairman of the Management Board of the British Institute at Ankara (BIA); member of the Board of Directors of OJSC MMK since 30 March 2007.
National of Great Britain. Meets the criteria of independency specified in OJSC MMK's internal documents.
Education: MA (Hons), Oxford University, UK (1965).



Zumrud Rustamova

(born 1970) – Deputy CEO of OJSC Polymetal UK; Russian citizen; member of the OJSC MMK Board of Directors since 21 April 2006; since 2009, Deputy CEO (part-time) of OJSC Polymetal; since 2011, member of the Board of Directors of OJSC PIK Group; since 2012, Deputy CEO (part-time) of ICT Group; since 2011, member of the Board of the Polytechnical Museum Development Fund; since 2012, member of the Board of Non-State Pension Fund of the Electric Power Industry; since 2013, member of the Board of Directors of United Wagon Company.
Meets the criteria of independency specified in OJSC MMK's internal documents.
Education: Graduate of the Moscow Institute of Economics and Statistics (1992).



Bernard Sucher

(born 1960) – since 2002, President of I.M.GALT, Inc.; since 2011, member of the Board of Directors of ATON LLC and of OJSC MMK.
Education: BA in business administration, University of Michigan with an additional concentration in Russian and Soviet Studies (1983). Senior Executive Programme, Columbia University Graduate School of Business (2001).



Peter Charow

(born 1954) – Vice President for Russia, BP; since 2008, member of the Board of Directors of OJSC TNK-BP Holding; member of the OJSC MMK Board of Directors since 30 March 2007.
National of the USA. Meets the criteria of independency specified in OJSC MMK's internal documents.
Education: BA in political science from Swarthmore College, Pa. (1977); MA in political science, Columbia University, New York (1981, 1986); Executive MBA, Tuck School of Business, Dartmouth College, NH (2006).



David Herman

(born 1946) – since 2006, Chairman of the Board of Directors of OJSC SOLLERS; since 2009, Chairman of the Board of Directors of DELTA AUTO; since 2011, member of MMK's Board of Directors.
National of the USA. Meets the criteria of independency specified in OJSC MMK's internal documents.
Education: JD Harvard Law School; MA Harvard Graduate School (Ford Foundation, Fellow in Soviet and East European Studies); BA New York University (magna cum laude).

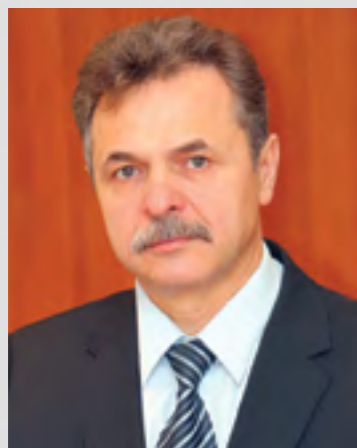


Boris Dubrovsky

(born 1958) – since 2011, CEO of OJSC MMK*; since 2011, member of the Board of Directors of MMK Metalurji Sanayi, Ticaret ve Liman İletmeciliği Anonim Şirketi; since 2011, member of OJSC MMK's Board of Directors; since 2012, Chairman of OJSC MMK's Management Board; since 2012, member of the Management Board of Autonomous Non-Profit Organisation Medical Care Unit of the City Administration of Magnitogorsk and OJSC MMK.

Education: Graduate of the Magnitogorsk Mining and Steel Academy (1990); graduate of the Russian Presidential Academy of National Economy and Public Administration (2001).

*On 17 January 2014, the Board of Directors of OJSC MMK appointed Pavel Shilyaev to the position of the individual executive body, Acting CEO of MMK. On 26 February 2014, by Decision of an Extraordinary Shareholders Meeting, Pavel Shilyaev was elected as the CEO of MMK. Boris Dubrovsky held the office of the CEO of MMK until 15 January 2014 and thereafter, pursuant to presidential decree, was appointed Acting Governor of Chelyabinsk region.



Nikolai Lyadov

(born 1956) – since 2011, MMK's Deputy CEO for Sales; since 2011, member of MMK's Board of Directors.

Education: Graduate of Magnitogorsk Institute of Mining and Metallurgy in transport logistics.



Vitaly Bakhmetyev

(born 1961) – since 2011, MMK's Deputy CEO for Commerce; since 2011, member of MMK's Board of Directors.

Education: Graduate of the Magnitogorsk Institute of Mining and Metallurgy in casting of ferrous and non-ferrous alloys.



Olga Rashnikova

(born 1977) – Finance Director of OJSC MMK; since 2011, member of the Board of Directors of OJSC CreditUralBank; since 2012, member of MMK's Board of Directors. Education: Graduate of Franklin College, Lugano, Switzerland, in economics, finance and enterprise management (2000); MBA (executive class) from the State Management University, Moscow (2009).

Members of the Board of Directors do not hold MMK shares.

Information on the person performing the functions of the Company's Individual Executive Body and holding of shares within the financial year

Boris Dubrovsky (born 1958) – since 2011, CEO of OJSC MMK*; since 2012, member of the Management Board of Autonomous Non-Profit Organisation Medical Care Unit of the City Administration of Magnitogorsk and OJSC MMK; since 2011, member of the Board of Directors of MMK Metalurji Sanayi, Ticaret ve Liman İletmeciliği Anonim Şirketi; since 2011, member of OJSC MMK's Board of Directors; since 2012, Chairman of OJSC MMK's Management Board.

Education: Graduate of the Magnitogorsk Mining and Steel Academy; graduate of the Russian Presidential Academy of National Economy and Public Administration.

Holds no shares of OJSC MMK.

* On 17 January 2014, the Board of Directors of OJSC MMK appointed Pavel Shilyaev to the position of the individual executive body, Acting CEO of MMK. On 26 February 2014, by Decision of an Extraordinary Shareholders Meeting, Pavel Shilyaev was elected as the CEO of MMK. Boris Dubrovsky held the office of the CEO of MMK until 15 January 2014 and thereafter, pursuant to presidential decree, was appointed Acting Governor of Chelyabinsk region.

OJSC MMK Management Board

The collective executive body, the Company's Management Board, shall direct the Company's day-to-day activities in accordance with its competence as defined by the Charter of OJSC MMK and Regulations approved by the General Shareholders Meeting.

In 2013, the Management Board held 36 meetings, which reviewed the following issues:

- business activities of MMK Group Companies;
- prospects and financial and business results of MMK Group; and
- approval of the Company's representatives and instructions to the Company's representatives at MMK Group.



Information on membership of MMK's Management Board, holding of MMK's shares within the financial year

MMK's Management Board (as of 31 December 2013)*	
Membership	15
Chairman	Boris Dubrovsky (born 1958), CEO, member of the Management Board since 25 May 2012.
Vitaly Bakhmetiev (born 1961), Deputy CEO for Commerce; Management Board member since 25 May 2012.	
Andrey Yeryomin (born 1972), Director for Economics, Management Board member since 25 May 2012.	
Marina Zhemchueva (born 1960), Chief Accountant; Management Board member since 25 May 2012.	
Oleg Kiikov (born 1961), Director for HR; Management Board member since 25 May 2012.	
Sergei Krivoshchyokov (born 1961), Director for Corporate Matters and Social Programmes, LLC MMK Managing Company; Management Board member since 25 May 2012.	
Sergei Laskov (born 1963), Director for Occupational and Industrial Safety and Environmental Protection; Management Board member since 25 May 2012.	
Yevgeny Redin (born 1969), Director for Business Development and Performance Management; Management Board member since 25 May 2012.	
Vladimir Ruga (born 1970), VicePresident for External Communications, LLC MMK Managing Company; Management Board member since 25 May 2012.	
Sergei Sulimov (born 1978), Deputy CEO for Finance and Economics; Management Board member since 22 November 2013.	
Dmitry Usanov (born 1978), Director of the Strategic Development Department, LLC MMK Managing Company; Management Board member since 25 May 2012.	
Alexandr Ushakov (born 1960), Director for International Business Relations; Management Board member since 25 May 2012.	
Oleg Tsepkin (born 1965), Deputy Director for Security; Management Board member since 25 May 2012.	
Sergei Shepilov (born 1971), Director for Legal Matters; Management Board member since 25 May 2012.	
Pavel Shilyaev (born 1970), Deputy CEO for Production; Management Board member since 25 May 2012.	

Members of the Management Board owned no MMK shares in 2013.

* Alexandr Andrianov and I. Senichev were members of the Management Board from 25 May 2012 until 22 November 2013.

Criteria to define the amount of remuneration for the members of the Management Board

Members of the Management Board are paid no remuneration for serving on the Board. They were paid salaries for their main functions in OJSC MMK and LLC MMK Managing Company totalling RUB 620,417,600 in 2013.

Audit Commission of OJSC MMK

Functions	Internal oversight over the Company's financial and business activities; Compliance with laws in effect and observance of shareholder rights
Membership:	4
Chairman:	Andrey Fokin (born 1980)
Members:	Galina Akimova (born 1969) Oksana Diuldina (born 1971) Alexandr Maslennikov (born 1969)
Remuneration of the Audit Committee	OJSC MMK's Annual General Shareholders Meeting of 24 May 2013 set the amount of remuneration and compensation due to members of the Audit Commission at RUB 20 million.
Regulations:	http://eng.mmk.ru/corporate_governance/internal_documents/

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Historical Report on the Payment of Declared/ Accrued Dividends

OJSC MMK's dividend policy is based on balancing the interests of shareholders with the need for further modernisation and technical upgrading of the Company.

In recommending dividends, the Board of Directors aims to allocate at least 20% of net profit as reported in the Company's IFRS consolidated financial statements.

The Regulations on the Dividend Policy can be found at: http://eng.mmk.ru/corporate_governance/internal_documents/group_documents/.

Dividend Payments on MMK Shares

Financial Year	Dividend per share, RUB	Dividend accrued		Dividend, % of net profit to IFRS
2008	0.382	4,268,594.06	RUB '000	16%
		173,891.90	USD '000	
2009	0.370	4,134,502.10	RUB '000	61%
		134,445.30	USD '000	
2010	0.330	3,687,528.90	RUB '000	57%
		131,882.10	USD '000	
2011	0	0	RUB '000	0%
		0	USD '000	
2012	0.280	3,128,812.40	RUB '000	219%
		103,013.97	USD '000	

Market Capitalization

Ordinary shares

OJSC MMK's shares are traded on the Moscow Exchange (MICEX-RTS) and as global depository receipts (GDRs) on the London Stock Exchange (LSE), with 1 GDR corresponding to 13 shares. MMK's free float represents 12.7% of the Company's outstanding shares.

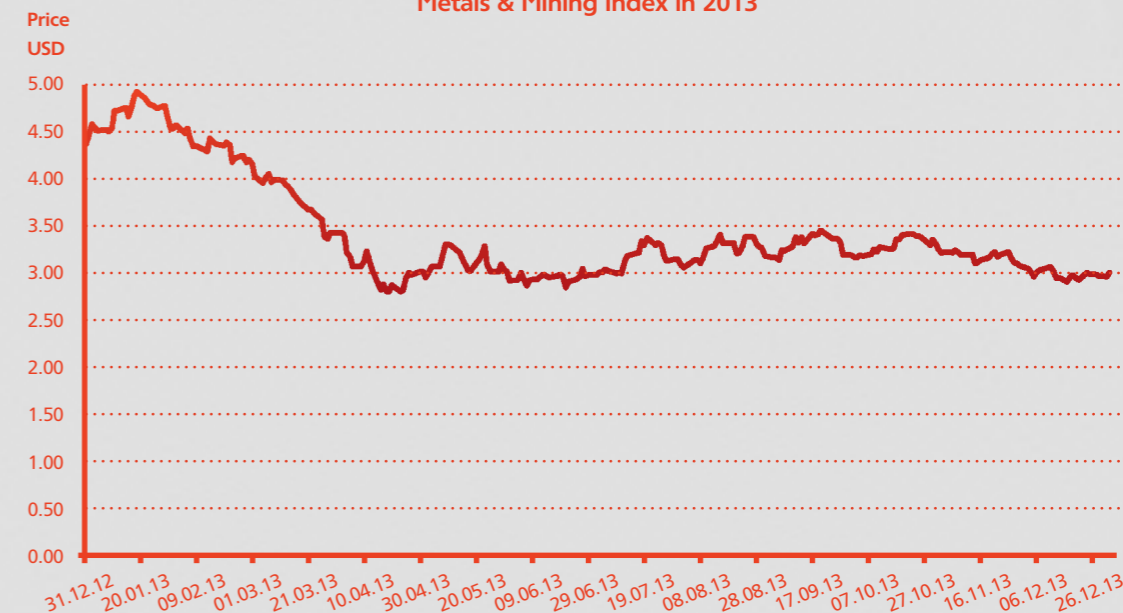
The Company's shares are included in the following indices:

Index	Date of inclusion
RTS Index	15 October 2007
MICEX Index	15 October 2007
RTS Metals and Mining Index	15 June 2007
MICEX Metals and Mining Index	14 August 2007
MICEX MC Index	6 August 2007
DAXglobal Russia	24 September 2007

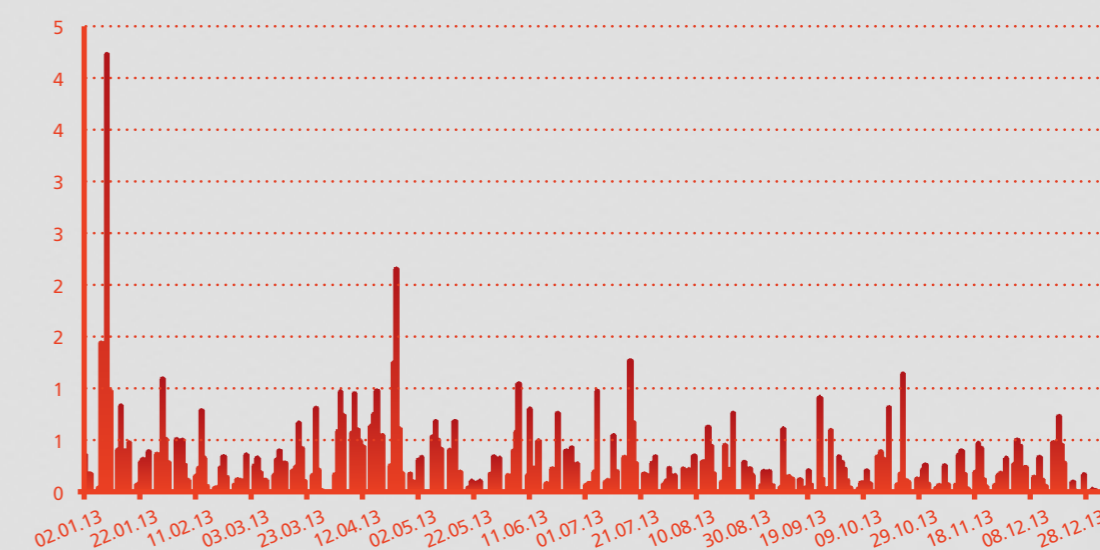
OJSC MMK share quotes and trading volumes on LSE (USD)

Year	Minimum	Maximum	Price at period end	Average daily trading volume
2011	4.25	16.23	4.87	6,022,151
2012	3.44	6.59	4.37	2,739,188
2013	2.80	4.92	3.00	1,092,169

Prices and trading volumes of MMK stock on LSE and Bloomberg Europe Metals & Mining Index in 2013



Trading volume, millions of shares

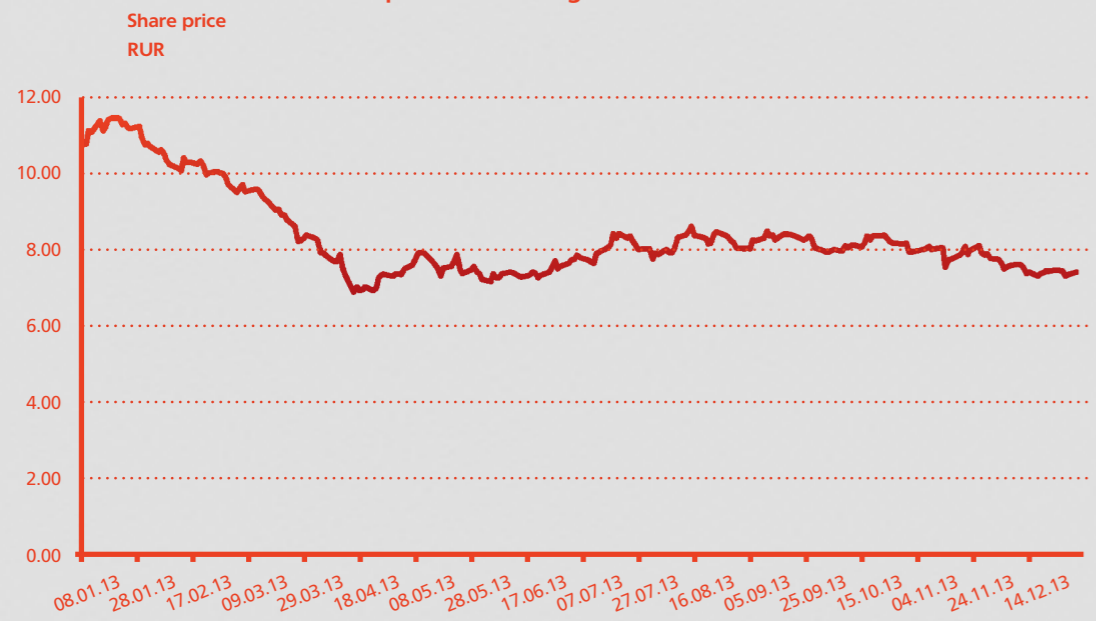




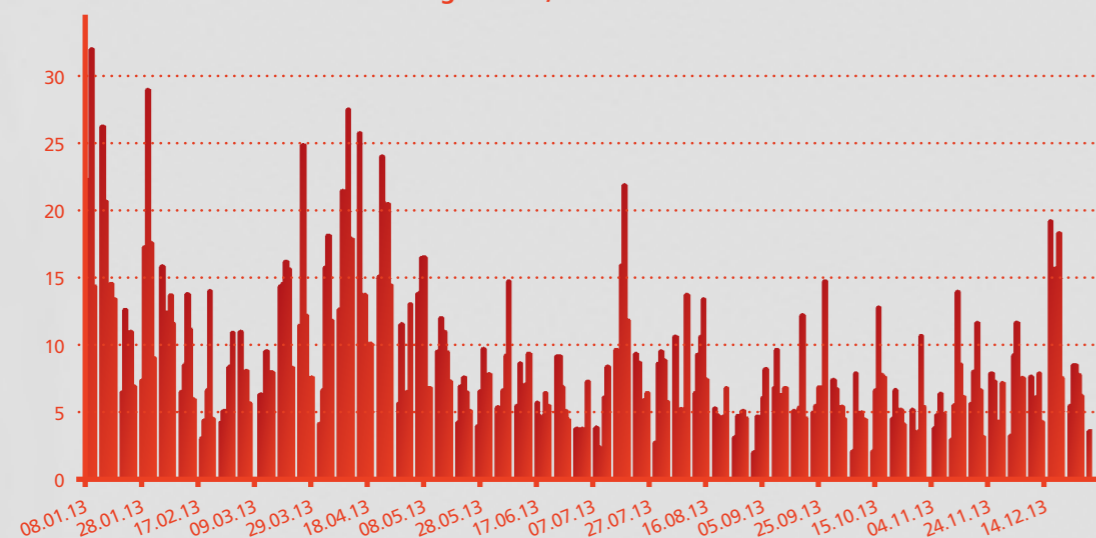
MMK's share price and trading volumes on MICEX (RUB)

Year	Minimum	Maximum	Price at period end	Average daily trading volume
2011	10.91	37.06	12.36	121,457,684
2012	8.99	14.93	10.41	132,936,912
2013	6.86	11.44	7.40	74,704,838

MMK's share price and trading volumes on MICEX in 2013

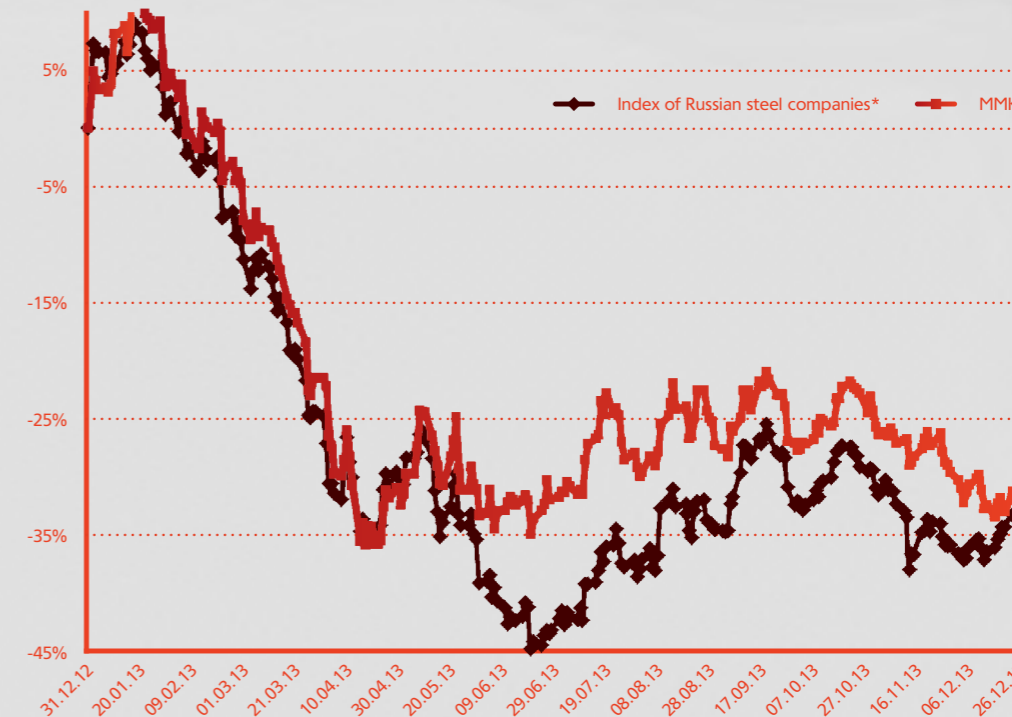


Trading volume, millions of shares



2013 was a difficult year for the steelmaking industry. Concerns over Chinese economic growth and problems in the eurozone affected demand for steel and key raw materials. Early March 2013 saw an aggravation of the financial crisis in Cyprus, which caused a wave of volatility and uncertainty in world markets.

Excessive production and a drop in prices were among the key problems faced by steel companies. Given these uncertainties, major Western investors started to reduce their holdings in steelmaking companies. Companies' share prices declined, while trading volumes were below average.



*including MMK, Severstal, NLMK, Evraz, Mechel

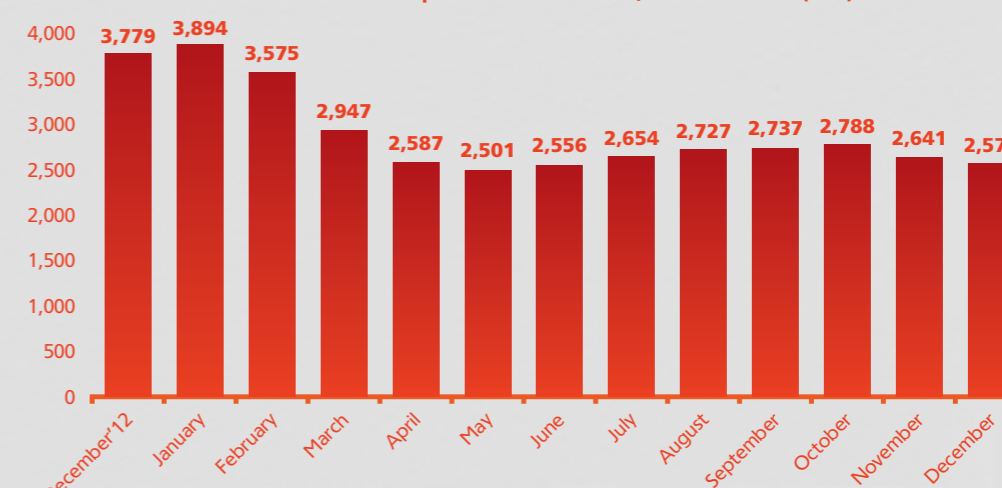
However, MMK's shares remain attractive in terms of both fundamentals and future growth. As of 31 December 2013, analysts at major foreign and Russian investment banks, including Deutsche Bank, Credit Suisse, and Sberbank, had 'buy' recommendations on MMK shares. Among the Company's strengths, they listed the growing share of high-value-added products, MMK's focus on its profitable domestic market, declining debt levels and a positive cash flow.

As of the end of the year, the average analyst target price for MMK shares was USD 3.69 per GDR. MMK's GDRs closed the year at USD 3.00, implying an upside of about 23%.

Trading of steel companies' stock to Western investors led to a decline in the average daily trading volume of MMK shares for the year compared to the level of the previous year. The average daily trading volume of MMK shares amounted to about USD 3.4 million in 2013.

However, 2013 saw an increase in share turnover on Russian trading venues. The Moscow Exchange was the most liquid trading venue for MMK, accounting for about 68% of share turnover.

MMK's market capitalisation in 2013, USD millions (LSE)



*Market capitalisation is calculated based on the closing price of the previous month's trading.

As of 31 December 2013, MMK's market capitalisation stood at USD 2,577 million.



Investor and shareholder relations

One of the Company's priorities is to maintain strong relations with investors and shareholders through direct dialogue that is in line with existing legislation and best practice.

MMK's management has focused on responding to the interests of investors and shareholders and establishing a relationship based on trust by improving the transparency of the Company's operations. In keeping with the principles of transparency and accessibility of information, the Company publishes statements of significant events on the website of the London Stock Exchange. The Company's official site has sections devoted to Investor Relations and Corporate Governance that contain a wide array of information in Russian and English, including the Company's internal documents and bylaws, annual reports, information for shareholders meetings, data on the Company's registrar and auditors, information on dividend payments, as well as quarterly financial statements under IFRS and RAS. The website also features a financial calendar with planned events and reporting dates.

More detailed information can be found in the Investor Relations and Corporate Governance sections of MMK's official site at: <http://eng.mmk.ru>.

Effective dialogue with capital markets requires constant attention from the Company's management. MMK management regularly participates in international conferences and holds meetings with investors. Publication of quarterly financial results always includes telephone conferences for investors with MMK management. Financial statements are supplemented with presentations to give additional insight into the Company's performance and strategy.

2014 Financial Calendar*

General Shareholders Meetings	
26 February 2014	Extraordinary General Shareholders Meeting
31 March 2014	Extraordinary General Shareholders Meeting
30 May 2014	Annual General Shareholders Meeting
Board of Directors Meetings	
14 February 2014	
18 April 2014	MMK's Board of Directors
May 2014	
Publication of RAS Financial Statements	
March 2014	IV Quarter (12 months) 2013
April 2014	I Quarter (3 months) 2014
July 2014	II Quarter (6 months) 2014
October 2014	III Quarter (9 months) 2014
Publication of IFRS Financial Statements	
7 April 2014	IV Quarter (12 months) 2013
June 2014	I Quarter (3 months) 2014
August 2014	II Quarter (6 months) 2014
November 2014	III Quarter (9 months) 2014
Publication of Production Results	
06 February 2014	IV Quarter (12 months) 2013
April 2014	I Quarter (3 months) 2014
July 2014	II Quarter (6 months) 2014
October 2014	III Quarter (9 months) 2014

*dates are subject to change(http://eng.mmk.ru/for_investor/financial_calendar/)

Investors can contact the Company with any questions related to MMK's business activities:

Corporate Secretary	Investor Relations Department
Valentina Khavantseva	Andrey Serov
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E-mail: khavanceva.vn@mmk.ru	E-mail: serov.ae@mmk.ru

MMK bonds

MMK exchange-traded bonds

BO-01–BO-05 issuance programme

In October 2009, OJSC MMK's Board of Directors approved the placement of five series of exchange-traded bonds: BO-1, BO-2, BO-3, BO-4 and BO-5. The bonds were placed by LLC IK RFTs (Clearing and Stock Exchange Centre Investment Company), OJSC Rosbank, OJSC Uralsib and LLC Renaissance Capital - FK. The total amount of the registered issuance programme is RUB 33,000 million.

As of 31 December 2013, the following issues were outstanding:
BO-4 (RUB 5,000 million), included in the MICEX Quotation List A of the first level;
The following issues were redeemed:
BO-1 (RUB 5,000 million);
BO-2 (RUB 10,000 million);
BO-3 (RUB 5,000 million);
BO-5 (RUB 8,000 million).

BO-06–BO-15 issuance programme

In February 2011, OJSC MMK's Board of Directors approved the placement of the following series of exchange-traded bonds: BO-6, BO-7, BO-8, BO-9, BO-10, BO-11, BO-12, BO-13, BO-14 and BO-15. The bonds were placed by institutions that include LLC IK RFTs (Clearing and Stock Exchange Centre Investment Company), OJSC Uralsib and OJSC Svyaz Bank. The total amount of the registered issuance programme is RUB 50,000 million.

As of 31 December 2012, the following issues were outstanding:
BO-6 (RUB 5,000 million), included in the MICEX Quotation List A of the first level;
BO-7 (RUB 5,000 million), included in the MICEX Quotation List A of the first level.

The following issues were redeemed:
BO-8 (RUB 5,000 million).

MMK corporate rouble-denominated bonds

In August 2012, OJSC MMK's Board of Directors approved the issuance of series 18, 19 and 20 corporate rouble-denominated bonds. In October 2012, the Russian Federal Committee for Securities Markets registered the bond issues. The bonds were placed by institutions that include LLC IK RFTs (Clearing and Stock Exchange Centre Investment Company), OJSC Uralsib and JSC UniCreditBank. The total amount of the registered issuance programme is RUB 20,000 million.

As of 31 December 2013, the following issues were outstanding:
18 series (RUB 5,000 million), included in the MICEX Quotation List A of the first level;
19 series (RUB 5,000 million), included in the MICEX Quotation ListB.

