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2,000 mm Cold Rolling Mill Facility

MMK is 80!

Events

NEW HORIZONS
Sales Markets

SYMBOLS OF CHANGE
Social Reporting

BLUE SKIES
Environment Protection

Harnessing steel
Corporate Governance

Also included:
- 2011 Milestones
- the Company’s business model
- MMK Group highlights
Editor-in Chief: A. N. Andrianov

Editors:
V. E. Ruga
O. V. Rashnikova

Project coordinators:
A. A. Smirnov
V. V. Dryomov

Project team:
E. V. Azovtseva
L. K. Burakova
A. D. Deviatov
A. E. Serov
V. N. Khavantseva
E. V. Lysenko
R. E. Kondrin
I. D. Kosmarova

Design and layout:
Y. V. Puskareva

Photos:
A. Serebriakov
E. Rukhmalev
D. Rukhmalev
A. Bardentsev
S. Likhachov

Address:
93, Ul. Kirova,
Magnitogorsk, Russia
Tel.: 8-800-775-000-5
(toll free in Russia)
Fax: (3519) 24 07 09
Http://www.mmk.ru

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Dear shareholders, colleagues and partners!

Magnitogorsk Iron and Steel Works has a very special year in 2012.

On the 1st of February MMK celebrated its 80th anniversary. In our eight decades we have achieved impressive results, having produced 63.5 million tons of pig iron, 731.1 million tons of crude steel and 776.1 million tons of finished steel products. Very impressive figures!

Magnitka has never enjoyed easy times: its history began with the unprecedented pace of construction during the country’s industrialization, includes the challenges of wartime and post-war reconstruction, and more recently the consequences of the collapse of the country in 1990s, including years of political and economic crises. Working in a market-based economy made the crisis years of 2008 and 2009 a serious test of MMK’s strength. In 2007 MMK produced a record 12.2 million tons of finished steel products. The subsequent decline in demand for steel products in 2008-2009 prevented us from maintaining the growth rates we had achieved. Today MMK is gradually restoring production volumes. Despite a challenging macroeconomic situation in 2011, MMK produced 11.74 million tons of crude steel and 16.646 million tons of finished steel products during the year. Prices for commercial steel products grew 17 % y-o-y in 2011. Deliveries to the strategically important domestic market grew in 2011, and constituted 67 % of MMK’s total sales volume. MMK Group’s revenue for 2011 stood at USD 9.306 billion, up 21 % in from 2010. Unfortunately we did not achieve all of our goals: MMK Group’s 2011 EBITDA decreased compared to 2010 and equalled USD 1.336 billion.

Last year MMK’s Board of Directors introduced important changes to the Company’s corporate governance structure to bring it more in line with international best practice. A shareholder meeting on 20 May 2011 voted to elect Boris Dubrovsky as the General Director of MMK, and to transfer the authority of the sole executive body from MMK Managing Company LLC to the General Director of MMK. Mr. Dubrovsky has vast experience both at MMK, where he occupied the post of executive director until 2008, and at Uralvagonzavod, where he was the first deputy general director from 2009 to 2011.

At a meeting of the State Committee for Modernization held in Magnitogorsk in 2011, Russia’s President praised MMK’s success in modernization of the Company’s assets. We believe this is a logical recognition of our hard work. We have systematically carried out a comprehensive modernization of MMK’s production base over the course of the last 10 years. This investment program was designed to meet demand from Russian customers and to increase MMK’s production of higher value added products. We undertook a fundamental overhaul of the long products facilities, built modern galvanizing and colour coating lines, revamped the 2,000 mm hot rolling mill, built a steel making complex in Turkey, constructed the unique 5,000 mm plate mill – and commissioned it in the middle of the crisis. Between 2000 and 2011 we invested around USD 8.3 billion through our long-term investment program. Our investments peaked in 2008-2009, at over USD 1.5 billion per year.

MMK’s large-scale investment projects, aimed at the expansion of production capacities and the introduction of new types of products, have increased the Company’s debt levels. MMK used debt to finance the majority of its capital expenditure investment projects, but has recently sought to optimize these projects in order to keep debt at sustainable levels. We achieved this goal in 2011, with capital expenditure at the level of just USD 1.2 billion, a decrease of 46 % from 2010. MMK today has found new momentum and meaning. Using our extensive experience, we are tackling the production targets and social issues that we face step by step. We are successfully implementing upgrades and new technologies. Our most recent major investment projects, the 5,000 mm and 2,000 mm rolling mills, have opened up long-term prospects.

We have gained valuable experience from working in difficult situations. In 2012 we will focus on increasing energy efficiency and labour productivity, on reducing costs, quality control and mastering new types of higher value added products.

I am confident that history will repeat itself and MMK will overcome current difficulties such as the global economic and financial crisis, and will continue to advance and grow. We have everything we need to achieve this: experience solving the most complicated problems, up-to-date equipment and technologies, self-sufficiency in electricity, strong competitive positions, product flexibility and, most important of all, highly skilled personnel. On behalf of the Board of Directors I want to express our gratitude to the whole MMK team for their dedication, proficiency, preservation of traditions and hard work. We are also truly grateful to our partners for their cooperation with us. We are interested in working with you. All our efforts, all our modernization projects are first and foremost aimed at meeting your needs.
## MMK Group's Financial Results for 2011

<table>
<thead>
<tr>
<th>Metric</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output of finished steel products</td>
<td>1.409 million</td>
<td>11.158 million</td>
</tr>
<tr>
<td>EBITDA</td>
<td>USD 1,606 million</td>
<td>USD 1,336 million</td>
</tr>
<tr>
<td>Output of high value added products</td>
<td>1.968 million</td>
<td>4.066 million</td>
</tr>
<tr>
<td>Revenue</td>
<td>USD 7,719 million</td>
<td>USD 9,306 million</td>
</tr>
<tr>
<td>Cash-cost of slabs</td>
<td>USD 340/t</td>
<td>USD 474/t</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>Operating income</td>
<td>USD 610 million</td>
<td>USD 365 million</td>
</tr>
<tr>
<td>Total Debt/EBITDA</td>
<td>2.21</td>
<td>5.31</td>
</tr>
<tr>
<td>Profit (loss) for the period</td>
<td>USD 232 million</td>
<td>USD 125 million</td>
</tr>
<tr>
<td>CAPEX (financing of acquisition of fixed assets)</td>
<td>USD 2,209 million</td>
<td>USD 1,154 million</td>
</tr>
</tbody>
</table>

## HIGHLIGHTS OF 2011

**JANUARY**
Metallosnabzhenie & Sbyt magazine recognized MMK as the largest producer of flat products in Russia.

**FEBRUARY**
MMK launched a new version of its official website (http://www.mmk.ru), introducing online ordering for our customers.

**MARCH**
Russian President Dmitry Medvedev visited MMK and held an on-site session of the Government’s Commission for Modernization and Technological Development.

**APRIL**
Renault-Nissan confirmed the compliance of MMK’s quality management system with the automaker’s standards.

**MAY**
Fitch Ratings upgraded MMK’s long-term issuer default rating from BB to BB+, and the long-term national scale rating, from АА (rus) to AA (rus).

**JULY**
MMK launched the first stage of the 2,000 mm Cold Rolling Complex at a ceremony attended by Russia’s Prime Minister Vladimir Putin. The key product from the 2.0 mtpa complex will be premium-quality cold-rolled and galvanized steel sheet for exterior and interior car parts.

**SEPTEMBER**
MMK announced the completion of a USD 485 million deal to buy out 50% minus one share of its partner in its Turkish steel JV, thus consolidating 100% of the MMK Metalurji subsidiary.

**NOVEMBER**
MMK launched an electronic auction platform for online purchasing of materials and equipment.

**FEBRUARY 2012**
MMK’s Anniversary: 80 years ago, on 1 February 1932, MMK’s first blast furnace produced first pig iron. This day marked the birth of MMK.
**About the Company**

MMK is one of the world’s top steel producers and a leader of the Russian steel sector. Its production capacity enables MMK to produce 15.6 million tons of quality steel products per year.

<table>
<thead>
<tr>
<th>Steel segment (Russia)</th>
<th>Steel segment (Turkey)</th>
<th>Coal segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of consolidated revenue*</td>
<td>% of consolidated revenue</td>
<td>% of consolidated revenue**</td>
</tr>
<tr>
<td>93.9%</td>
<td>4.5%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

- **Production output (kt)**
  - 2010: 10,253
  - 2011: 10,615
  - 2010: 156
  - 2011: 505
  - 2010: 2,960
  - 2011: 3,216

- **EBITDA margin (%)**
  - 2010: 18.1%
  - 2011: 13.3%
  - 2010: -8.0%
  - 2011: -14.4%
  - 2010: 48.6%
  - 2011: 34.2%

* excluding intra-Group sales

** the majority of coal segment sales (about 76% of volume) is supplied to MMK Group’s parent company (OJSC MMK)

**MMK’s key goal is to maintain its long-term competitiveness on the global steel markets.**

To achieve this goal MMK is doing the following:

1. Expanding its sales markets
2. Diversifying into new of products
3. Reducing costs
4. Ensuring sustainable development
Competitive advantages:

- Favourable geographic position (growing markets of Turkey and other Middle East countries)
- Good logistics (own sea port and plant's compact size)
- State-of-the-art equipment
- Diversified product mix

The construction of the Turkey steel project started in March 2008. The project, with an annual capacity of 2.3 million tons of flat steel products, is located on two sites: Iskenderun and Istanbul. Investments in the project totaled approximate USD 2.4 billion. MMK Metalurji includes an electric arc furnace shop with a compact casting and rolling unit (CSP), a cold rolling mill, a steel service centre with a hot dip galvanizing (HDG) and color coating (CC) lines in Iskenderun, and a steel service centre with an HDG and CC lines in Istanbul.

The Iskenderun plant also includes a sea port capable of handling vessels up to 100,000 DWT, which is instrumental to exporting the plant’s products and importing raw materials. Iskenderun’s EAF shop with a CSP unit was commissioned in March 2011, with the first steel coil produced in May 2011.

MMK Metalurji is expected to reach design capacity during 2012.

Project’s Highlights

- State-of-the-art integrated steel-making facility
- Rolled steel capacity: 2.3 mtpy
- Products: hot rolled, galvanized and colour-coated steel
- Start of production: 2010
- Full production capacity to be reached in 2012
- Total project cost: USD 2.4 billion
2,000 mm Cold Rolling Complex

Diversification into New Products

Project highlights
• State-of-the-art equipment by SMS Demag AG, Germany
• Capacity: 2 mtpy
• Products: Premium quality cold rolled and galvanized steel sheet
• Start of production: 2011
• Full design capacity to reached in 2012
• Total project cost: USD 1.5 bn

The new 2 mtpy cold rolling complex will produce premium quality cold rolled and galvanized sheet, including from high strength steel, for the automotive sector.

The first stage of the complex, comprising a tandem mill with a pickling line, was launched in July 2011. The 2nd stage is scheduled to come on stream in the summer of 2012.

Once the 2,000 mm Mill reaches full capacity in 2012, we estimate our products will account for about 40 % of the Russian automotive steel market. Though we set our sights on a more ambitious goal of 50 % market share. We are now in the process of having our products tested and certified by potential customers. Upon completion of this process, we will supply cold rolled products to our subsidiary Intercos-IV in St. Petersburg, which will process the steel into stamped parts and ship them to domestic and foreign auto makers working in Russia.

By mid-2013 MMK plans to start shipping products to all major auto makers active in Russia.

Cost Reduction

Improving efficiency through cost reduction has always been a priority for MMK, with special cost cutting measures developed and implemented on an annual basis. In 2011 various organizational and technical measures yielded savings of USD 177 million, including:

• USD 88 million, through reduced consumption of raw materials and other inputs;
• USD 68 million, through reduced costs for industrial services;
• USD 21 million, through reduced consumption of auxiliary materials.

The new 2012 cost reduction programme being implemented aims to achieve savings of USD 160 million.
**Sustainable Development**

- **Supplies of raw materials and power**
  - Coal concentrate production (kt):
    - 2010: 2,960
    - 2011: 1,216
  - Captive iron ore production (kt):
    - 2010: 4,679
    - 2011: 4,805

- **HR development**
  - Labour productivity (ton/person):
    - 2010: 19
    - 2011: 21

- **Reduced impact on the environment**
  - Emissions per unit produced (kg/t):
    - 2010: 21.4
    - 2011: 20.4
  - Waste processing (kt):
    - 2010: 1,767
    - 2011: 2,017

- **Self-sufficiency level (%)**
  - Electric power:
    - 2010: 75%
    - 2011: 100%
  - Scrap:
    - 2010: 100%
  - Coal:
    - 2010: 40%
    - 2011: 50%
  - Iron ore:
    - 2010: 50%
    - 2011: 30%

Raising the level of self-sufficiency in iron ore and coal supplies is one of the key components of MMK’s strategy.

In 2011 supplies of captive iron ore increased 3% year-on-year, while production of coal concentrate in the Company’s coal segment grew by 9%.

**Key Performance Indicators**

**Goal:**
- **Diversification onto new products**
- **Costs reduction**
- **Ensuring sustainable development**
- **Labour productivity**

**Indicator:**
- **Sales markets expansion**
- **Power consumption per tonne of liquid steel**
- **Emissions of pollutants per tonne of steel**
- **Personnel turnover rate**

**Achievement:**
- **2011 commercial product sales was 11.2 mt, 7% up on 2010.**
- **In 2011 the share of HVA products in total production decreased by two percentage points to 36%.**
- **This indicator shows the efficiency of power use in steel production. In 2011 it was 6.4 Gcal/t.**
- **Emissions declined 21.4 kg/t in 2010 to 20.4 kg/t in 2011.**
- **In 2011 this indicator reached its peak value in the last 5 years – 51 ton/person.**

In 2011 MMK Group’s expenditure on improving labour safety and conditions totaled over USD 15 million.

MMK has an ISO - certified environmental management system since 2004. An ISO compliance certificate to the effect was issued by TUV NORD CERT GmbH, Germany.

MMK’s capex on construction of environmental facilities in 2011 amounted to over USD 68 million.
MMK CEO Boris Dubrovsky: Results and Outlook

Steel Consumption

MMK’s 2011 budget was based on the assumption of 18% growth in steel consumption in Russia, which guided our plans for increasing deliveries to the domestic market compared to 2010. However, Russian steel consumption grew only by 12.15% in 2011 according to various estimates. Prices for raw materials rose together with steel prices in the first quarter of 2011, but then continued to grow in the remaining part of the year. By the middle of the year, prices for iron ore and coal had risen by 50%, having reached record high prices. In order to retain customers and withstand competition, MMK was forced to sell finished products with a margin lower than 10% for several months. The situation stabilized only in the middle of the fourth quarter due to a global decline in iron ore and coal prices.

Due to rising prices for key raw materials in 2011, production cost per unit grew by 20% compared to 2010. Rising costs were partially compensated by higher steel prices. Cost reduction measures were undertaken to maintain margins at acceptable levels.

Results and Outlook

MMK Group produced 11.2 million tons of steel, 3.2 million tons of coal concentrate and 465 thousand tons of metalware in 2011. The Group’s 2011 revenue was USD 9.306 billion, an increase of 21% from 2010. Russian steel segment revenue stood at USD 8.9 billion, coal segment revenue was USD 649 million, and revenue for MMK-Metalliurji in Turkey was USD 458 million. Hot-rolled products accounted for 47% of 2011 revenue, while high value-added (HVA) products contributed 36% in 2011. Increasing the share of revenue from HVA products is a strategic task for MMK. Substantial investments were undertaken to achieve this strategic task in recent years, and we expect to increase the share of HVA products to 45% in terms of volume and 50% in monetary terms in the near future. The Group’s EBITDA stood at USD 1.336 billion, with an EBITDA margin of 14.4%. The steel making segment, with USD 1 billion, and the coal segment, with USD 222 million, were the largest contributors to EBITDA.

Investments

Investments in 2011 totalled USD 1.2 billion, with USD 790 million spent at the Magnitogorsk site and USD 176 million in Turkey. While we will continue to invest in production, we have introduced new principles for budgeting, the key one being “living within our means.”

Magnitka is rightfully proud of its modernization effort. We have achieved a great deal and done a good job, implementing highly efficient projects on very tight timeframes. But at some point our expenditures on investments exceeded what we could achieve through our own operating activities. We have resolved to reduce the Company’s debt burden. The 2012 budget is deficit-free and balanced. Similar to 2011, our investments should not exceed our ability to finance the projects ourselves.

Strategic Goal

One of MMK’s strategic goals is to become a leading steel supplier for automakers in Russia. Construction of a state-of-the-art cold rolling shop including the 2,000 mm cold rolling mill is in its final stages. The 2 million ton per year steel production facility will provide the automotive industry with high-quality cold-rolled and galvanized flat products, including products that use high-strength steel.

MMK has been actively developing new products for the automotive industry for several years. The Company has undertaken a program of acceptance of its steel products by Russian and foreign automakers, according to which MMK’s production processes and products are to be approved by major global automotive groups (including Ford Motor Company, General Motors, Volkswagen, Renault-Nissan and Hyundai-Kia) and Russian automakers (including AvtoVAZ).

Other major initiatives have been implemented as part of the MMK Group’s innovation programme. In 2011, we started using a SAP-based master planning system to optimize and enhance production performance. In 2012, we plan to adopt a scheduling system.

As a result of these achievements we can look to the future with confidence. We have a good understanding of how and by what means we can achieve our 2012 targets, thus laying a strong foundation for the Company’s sustainability and fast growth.

Continuity of Tradition

Magnitogorsk Iron and Steel Works celebrated its 80th anniversary in early 2012. It is difficult to overstate the significance of this anniversary. MMK started its history as the most ambitious construction project of the 20th century, and eight decades later it is one of Russia’s largest steel manufacturers. MMK has made an important contribution to the development of the domestic steel-making industry, and to Russia’s economy in general.

Each generation of MMK employees has the right to claim heroic achievements, to say the least. All those who built the plant, who produced the first ton of hot metal, who worked and fought during World War II, who set production records in Soviet times, and who overcame the difficulties of Perestroika and the global recession. They all deserve deep respect and gratitude. Today the fundamental tradition of Magnitka’s steelmakers to rely on only their own resources and qualifications, and never on luck, remains unchanged.

Social Priorities

We are well aware that it is impossible to ensure further sustainable growth without preserving and developing our human resources, and we make our best efforts to pursue a responsible social policy. In 2011, MMK spent over RUB 1 billion on various social programmes. Over RUB 437 million were committed to supporting retirees and for charity purposes. We allocated RUB 243 million for medical purposes. We plan to increase social support in 2012.

I would like to thank our employees for their invaluable contribution to the Company’s growth and excellent performance.

Our Customers

We place a special focus on developing relationships with our customers. Close cooperation is a precondition of mutual growth. Customers are a valuable asset for MMK, just like our production facilities. Our obligations to customers must be performed in full and on schedule. A great deal has already been done in this sphere to enable us to strengthen our presence on domestic and international markets.
NEW HORIZONS
Products for the automotive and construction sectors

93, Ul. Kirova, Magnitogorsk, Russia. Tel.: 8-800-775-000-5 (toll free in Russia). Fax: (3519) 24 73 09
www.mmk.ru
Overview and Analysis of the Steel Market

According to the World Steel Association, global steel production reached 1.5 billion tonnes in 2011, an increase of 6.8% over 2010. Apparent steel consumption grew by 6.3%, reaching 1.4 billion tonnes in 2011.

A key contributor to growing global steel production and consumption in the past decade was China. The country’s production grew 8.9% in 2011, reaching 696 million tonnes, and apparent consumption was up 7.5% to 643 million tonnes.

Steel production at MMK in 2011 grew by 3% (to 11.7 million tonnes), at a rate on par with the average for Russia.

<table>
<thead>
<tr>
<th>Crude Steel Production at MMK</th>
<th>Finished Products Production at MMK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 11.7 million tonnes</td>
<td>2011 10.6 million tonnes</td>
</tr>
<tr>
<td>+3%</td>
<td>+4%</td>
</tr>
<tr>
<td>2010 11.4 million tonnes</td>
<td>2010 10.2 million tonnes</td>
</tr>
</tbody>
</table>

MMK has successfully increased its share of the Russian finished steel goods market for two years in a row: from 17% in 2009 to 17.7% in 2010, and 17.9% in 2011.

Steel production at MMK in 2011 grew by 3% to 11.7 million tonnes, at a rate on par with the average for Russia.

In 2011 shipments to the domestic market (including the CIS) totalled 7.2 million tonnes, an increase of 2%. The share of domestic shipments in MMK’s sales decreased by 2%, from the highest-ever level of 67% in 2010.

As high value added products prevail in domestic sales, the average price per tonne for steel products on the domestic market has historically enjoyed a premium over average export prices. Average domestic steel prices were USD 241/t higher than average export prices in 2011.

Russian and CIS Markets

In 2011 shipments to the domestic market (including the CIS) totalled 7.2 million tonnes, an increase of 2%. The share of domestic shipments in MMK’s sales decreased by 2%, from the highest-ever level of 67% in 2010.

As high value added products prevail in domestic sales, the average price per tonne for steel products on the domestic market has historically enjoyed a premium over average export prices. Average domestic steel prices were USD 241/t higher than average export prices in 2011.

MMK’s Share of Domestic Sales as a Function of Price Premium

In 2011 Russia increased crude steel production by 2.4% to 68.4 million tonnes. Despite this growth, India overtook Russia in 2011 as the #4 global steel producer, increasing steel production by 5.7% to 72 million tonnes in 2011. The other top global producers are China (696 million tonnes), Japan (108 million tonnes) and the USA (86 million tonnes).
Based on the structure of apparent consumption of the output of Russian steelmakers in 2011, MMK remains the leading Russian steelmaker.

**Apparent Consumption of Russian Steelmakers’ Output for 2011**

MMK’s share of the Russian market in 2011 was 16 %. Apparent steel consumption in Russia grew twice as fast as world consumption in 2011, and amounted to 12 %, with imports growing by 31 %.

**Shares of MMK and Imports in Russia**

MMK felt the full effect of growing imports in 2011. Our share in domestic sales of HVA products decreased across all categories, with the exception of colour coated products. Our 1 % increase in market share was driven by 32 % growth in sales of colour coated products in 2010. While sales of cold rolled products in 2011 increased by 8 % compared to 2010, this was not sufficient to prevent a 1 % decrease in market share.

**Changes in MMK’s Domestic HVA Products Market Share**

Foreign steelmakers are especially active in the HVA product segment.

In the HVA product segment, Russian companies only managed to increase market share in colour-coated steel products in 2011.

**Impact of Imports on the Domestic Market for HVA Products in 2011**

MMK’s largest domestic customers are from the pipe making, machine building and construction industries. Over the last five years their aggregate share in MMK’s sales has increased from 51 % to 68 %.
Russian pipe makers accounted for 33 % of MMK’s sales in 2011, down from the high of 37 % reached in 2009-2010. MMK’s steel products made up 29 % of consumption by pipe making companies.

In 2011 pipe makers and steelmakers alike were affected by growing imports. According to the Ministry of Industry and Trade, the 17 % growth of pipe consumption in Russia was only partially covered by a 9 % increase in production. In 2011 pipe imports increased by 20 %, while export volumes remained unchanged.

The highly profitable market for large diameter pipes shrunk in 2011. Pipe production decreased by 119,000 tonnes (–3.9 %), and pipe consumption by 48,000 tonnes (–1.4 %). Both imports (+155,000 tonnes) and exports (+83,000 tonnes) increased year-on-year.

Faster import growth is currently held in check by customs duties of 15-20 %. However, with ratification of the WTO Protocol, import duties will decrease to 0-10 %, including during the transition period. These developments mean that, in the coming years, competition and quality requirements for pipe makers and plate manufacturers will increase.

### Machine Building

In 2011, the share of shipments to the machine building sector remained unchanged from 2010 at 21 %. Product volumes amounted to 1.4 million tonnes, with 42 % going to the railway car building industry and 34 % to the automotive sector.

The railway car building sector has grown rapidly in recent years. In 2010 rolling stock manufacturing capacity doubled, and in 2011 it expanded by a further 24 % to 63,000 railway cars. According to Russia’s Railway Transport Development Strategy 2030, annual demand for new railway cars will exceed 70,000 units by 2015.

Meeting demand from transport companies means that railway car builders fully utilize available manufacturing capacity, and consequently that MMK’s sales to companies in the sector will remain at a high level.

The Russian automotive sector also grew quickly in 2011. Truck production increased by 33 % to about 200,000 units, and car production rose by 44.5 % to 1.7 million units.

Car sales increased by 39 %, reaching 2.6 million units in 2011. In 2012 car sales are forecast to continue growing, reaching a total of 2.8 million units.

The Russian government’s moves to increase production, and the level of localization of manufacturing, by foreign automakers in Russia are likely to lead to further production growth and increased consumption of Russian steel products by car makers.

In 2011 MMK shipped 13.5 % more steel products to car makers than in 2010.

The automotive sector accounted for 7 % of MMK’s domestic shipments of steel products by volume in 2011, up from 6.4 % in 2010. MMK’s biggest customers in the sector are AvtoVAZ, KamAZ and the GAZ Group.

MMK is actively developing new product types for the automotive sector. The Company has adopted and is implementing a certification programme for its steel products by Russian and foreign car makers, under which seeks to have its processes and products approved by leading global car makers (including Ford Motor Company, General Motors, Volkswagen, Renault-Nissan, Hyundai-Kia) as well as Russian producers (such as AvtoVAZ). The certification programme also covers component producers based in Russia.
Construction Sector

The relatively sluggish activity seen in the construction sector in 2010 persisted in the first half of 2011, but the third quarter saw a positive trend in investments. In total, according to the Ministry of Economic Development, construction increased in value terms by 5.1% year-on-year. Housing construction totalled 62.3 million sq m, 6.6% up on 2010 (compared to a 2.4% year-on-year decline in 2010). Consumption of long products in the construction sector increased by 16.6% in 2011 year-on-year, while total shipments of long products by MMK increased by 27%.

Outlook

Forecasts suggest that Russia’s steelmaking sector will continue its fast growth in the coming years, with steel consumption in the country likely to increase by 14% by 2013 compared to the level of 2011. An important growth factor will be direct and indirect government spending, such as record military orders and higher volumes of housing and infrastructure construction.

Significant funds spent on providing social services and improving living standards should increase domestic demand for durables.

Ongoing construction of facilities for “national projects” – in particular the 2013 World University Games, the 2014 Olympic Winter Games and the football World Cup in 2018 – will also contribute to demand for steel products.

Export

In 2011 export shipments increased by 8% year-on-year.

Demand from the Middle East was a major source of export growth. Shipments increased by 44%, and as a share of MMK’s total exports the region increased from 48% to 64%.

Key countries for MMK in the region are Iran (47% of total export volumes) and Turkey (11%).

Shipments to Asia and the Far East fell due to the growth of domestic steel production in those countries. Exports to China and India over the last three years have reached their lowest historical volumes. In 2011 MMK’s largest customer in the region was Vietnam, accounting for 5% of total exports. Further development of the local steelmaking industry may close this market for us.

In 2011, shipments to Europe fell by just 40,000 tonnes despite the economic slowdown and shutdowns of steelmaking plants in the region. The biggest European buyer of MMK’s products is Italy (9% of total exports).
NEW TECHNOLOGY,
NEW POTENTIAL

95, Ul. Kirova, Magnitogorsk, Russia. Tel.: 8-800-775-000-5 (toll free in Russia). Fax: (3519) 24 75 09
www.mmk.ru
Financial review

MMK Group Financial performance

Last year the global economy continued its gradual recovery from the recession of 2008–2009. Thanks to increased demand for durable goods and rising capital investments, demand for steel from key consuming industries (construction, machine building, automotive, etc.) rose. Implementation of infrastructure projects initiated during the recession also helped to support demand.

We expect that the global economy will continue growing in 2012, which will have a positive effect on steel demand. As a result, we believe that the Company’s revenue may approach pre-crisis levels.

In 2011 revenue from sales stood at USD 9,306 million (up 21 % from 2010). Revenue rose mainly due to higher sales volumes and prices.

The Russian steel segment accounts for the majority of MMK Group’s revenue (94 %). Significant progress on ramping up production in Turkey helped revenue from the Turkish steel segment increase by over 200 %, with the segment’s share of Group revenue reaching 4 %. The coal segment accounts for just around 2 % of Group revenue due to the fact that the majority of this segment’s output is consumed within the Group.
In 2011 production costs stood at USD 7.8 billion (up 30 % from 2010). Costs rose due to higher sales volumes, indexation of prices for products and services provided by natural monopolies (energy tariffs and railway rates) and significantly higher raw materials prices. Rising prices were partially mitigated by MMK Group's vertical integration in the coal concentrate industry. The Company's partial self-sufficiency in electricity production also offset the effect of rising electricity prices.

### Commercial and Administrative Costs, USD million

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General running and</td>
<td>495</td>
<td>560</td>
<td>65</td>
<td>13 %</td>
</tr>
<tr>
<td>administrative costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>6.4 %</td>
<td>6.0 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial costs</td>
<td>565</td>
<td>499</td>
<td>–66</td>
<td>–12 %</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>7.3 %</td>
<td>5.3 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In 2011 general running and administrative costs increased by 13 %, although as a proportion of revenue they fell to 6.0 %. Commercial costs decreased by 12 %, and accounted for a smaller share of revenue in the second half of the year.

### MMK Group EBITDA Calculation, USD million

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>610</td>
<td>365</td>
</tr>
<tr>
<td>Adjustments for EBITDA</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>calculation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and</td>
<td>826</td>
<td>887</td>
</tr>
<tr>
<td>amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses from write off of</td>
<td>159</td>
<td>70</td>
</tr>
<tr>
<td>fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in income of related</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,606</td>
<td>1,136</td>
</tr>
<tr>
<td>EBITDA margin, %</td>
<td>21 %</td>
<td>14 %</td>
</tr>
</tbody>
</table>

In 2011, EBITDA totalled USD 1,336 million (down 17 % on 2010), with an EBITDA margin of 14 % (compared to 21 % in 2010).

### MMK Group EBITDA by Segment, USD million

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,606</td>
<td>1,136</td>
<td>(270)</td>
</tr>
<tr>
<td>Steel segment (Russia)</td>
<td>1,347</td>
<td>1,187</td>
<td>(160)</td>
</tr>
<tr>
<td>Steel segment (Turkey)</td>
<td>(11)</td>
<td>(86)</td>
<td>(55)</td>
</tr>
<tr>
<td>Coal segment</td>
<td>270</td>
<td>222</td>
<td>(48)</td>
</tr>
</tbody>
</table>

The Russian steel segment historically accounts for most of the Group's EBITDA (89 % in 2011). The coal segment accounted for a further 17 % of EBITDA. The Turkish steel segment recorded negative EBITDA as the project has not yet reached full production capacity and target performance.
The change in EBITDA was mainly due to revenue growing at a slower rate than production and operating costs.

<table>
<thead>
<tr>
<th>MMK Group Net Income, USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
</tr>
<tr>
<td>Operating profit</td>
</tr>
<tr>
<td>Financial expenses</td>
</tr>
<tr>
<td>Financial income</td>
</tr>
<tr>
<td>Exchange rate differences</td>
</tr>
<tr>
<td>Other income and expenses</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
</tr>
<tr>
<td>Income tax</td>
</tr>
<tr>
<td>Profit (loss) for the reporting period</td>
</tr>
<tr>
<td>Attributable to minority interests</td>
</tr>
<tr>
<td>Attributable to shareholders of the parent company</td>
</tr>
</tbody>
</table>

The increase in financial expenses was due to borrowed funds raised for business development. Other costs rose mainly due to an increase in social tax payments.

The negative exchange rate difference of USD 118 million had a significant influence on financial performance in 2011.

The Company recorded a net loss of USD 125 million for the period, of which USD 120 million was attributable to shareholders of the parent company.

Russia steel segment

<table>
<thead>
<tr>
<th>Russia steel segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of measure</td>
</tr>
<tr>
<td>Steel production</td>
</tr>
<tr>
<td>Thousand tonnes</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>10,253</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>10,653</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>400</td>
</tr>
<tr>
<td>Change (%)</td>
</tr>
<tr>
<td>4 %</td>
</tr>
<tr>
<td>Revenue from sales including USD million</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>7,436</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>8,914</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>1,478</td>
</tr>
<tr>
<td>Change (%)</td>
</tr>
<tr>
<td>20 %</td>
</tr>
<tr>
<td>Sales to the Group's companies USD million</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>178</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>167</td>
</tr>
<tr>
<td>Change (%)</td>
</tr>
<tr>
<td>17 x</td>
</tr>
<tr>
<td>Third parties USD million</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>7,425</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>8,736</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>1,311</td>
</tr>
<tr>
<td>Change (%)</td>
</tr>
<tr>
<td>18 %</td>
</tr>
<tr>
<td>EBITDA USD million</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>1,347</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>1,187</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>(160)</td>
</tr>
<tr>
<td>Change (%)</td>
</tr>
<tr>
<td>(12 %)</td>
</tr>
<tr>
<td>EBITDA margin %</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>18.1 %</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>13.3 %</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>(4.8 %)</td>
</tr>
<tr>
<td>EBITDA per ton of steel products USD/t</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>131</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>111</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>(20)</td>
</tr>
<tr>
<td>Change (%)</td>
</tr>
<tr>
<td>(15 %)</td>
</tr>
<tr>
<td>Capital expenditures USD million</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>1,451</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>859</td>
</tr>
<tr>
<td>Change</td>
</tr>
<tr>
<td>(592)</td>
</tr>
</tbody>
</table>

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 Intercos-IV; and trading companies.

Thanks to improved market conditions, in 2011 revenue from sales to third parties rose by 18 % year-on-year to USD 8,736 million.

In 2011, capex in the steel segment was USD 839 million, or 74 % of total investments. Capital expenditure focused on construction of the cold-rolling complex and other projects at the Magnitogorsk production site.
The Turkish steel segment includes MMK Metalurji, a steel producer located at two sites in Turkey: Iskenderun and Istanbul.

Output and sales revenue were both several times higher than in 2010 due to progress made on bringing the project towards full capacity. However, the segment's financial performance remained negative. Target indicators are expected to be reached in 2012, resulting in positive financial performance.

**Coal segment**

<table>
<thead>
<tr>
<th>unit of measure</th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel production (Thousand tonnes)</td>
<td>2,960</td>
<td>3,216</td>
<td>256</td>
<td>9 %</td>
</tr>
<tr>
<td>Revenue from sales (USD million)</td>
<td>556</td>
<td>649</td>
<td>93</td>
<td>17 %</td>
</tr>
<tr>
<td>sales to Group companies (USD million)</td>
<td>399</td>
<td>496</td>
<td>97</td>
<td>24 %</td>
</tr>
<tr>
<td>sales to third parties (USD million)</td>
<td>157</td>
<td>153</td>
<td>-4</td>
<td>-3 %</td>
</tr>
<tr>
<td>EBITDA (USD million)</td>
<td>270</td>
<td>222</td>
<td>-48</td>
<td>-18 %</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>48.6</td>
<td>34.2</td>
<td>-14.4 %</td>
<td>-30 %</td>
</tr>
<tr>
<td>EBITDA per ton of steel products (USD/t)</td>
<td>91</td>
<td>69</td>
<td>-22</td>
<td>-24 %</td>
</tr>
<tr>
<td>Capex (USD million)</td>
<td>100</td>
<td>119</td>
<td>19</td>
<td></td>
</tr>
</tbody>
</table>

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

Most of the coal segment’s output is supplied to Belon Group’s parent company (OJSC MMK).

Segment EBITDA was USD 222 million, with a margin of 34 %. Despite a considerable increase in prices for coal concentrate, the segment’s financial performance remained almost unchanged due to the large amount of pre-production mining work carried out during the reporting year.

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**MMK Group Working Capital, USD million**

<table>
<thead>
<tr>
<th></th>
<th>01.01.11</th>
<th>01.01.12</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>1,236</td>
<td>1,776</td>
<td>540</td>
<td>44 %</td>
</tr>
<tr>
<td>Uncompensated VAT</td>
<td>213</td>
<td>304</td>
<td>91</td>
<td>43 %</td>
</tr>
<tr>
<td>Receivables</td>
<td>828</td>
<td>700</td>
<td>(128)</td>
<td>-15 %</td>
</tr>
<tr>
<td>Payables</td>
<td>(971)</td>
<td>(1,180)*</td>
<td>(209)</td>
<td>22 %</td>
</tr>
<tr>
<td>Total working capital</td>
<td>1,306</td>
<td>1,600</td>
<td>294</td>
<td>23 %</td>
</tr>
</tbody>
</table>

*excluding the part of debts, related to indebtedness.

In the reporting period, the Group’s working capital grew by 22 % to USD 1,600 million, driven mostly by a USD 540 million increase in inventory. Changes in the receivables and payables reduced working capital by USD 128 million and 209 million, respectively.

**Working Capital Productivity Indicators**

<table>
<thead>
<tr>
<th></th>
<th>01.01.11</th>
<th>01.01.12</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>75</td>
<td>82</td>
<td>7</td>
<td>9 %</td>
</tr>
<tr>
<td>Receivables</td>
<td>39</td>
<td>27</td>
<td>(12)</td>
<td>-30 %</td>
</tr>
<tr>
<td>Payables</td>
<td>49</td>
<td>48</td>
<td>(2)</td>
<td>-5 %</td>
</tr>
<tr>
<td>Working capital, % of revenue</td>
<td>17 %</td>
<td>17 %</td>
<td>0 %</td>
<td></td>
</tr>
</tbody>
</table>

The inventory turnover period slightly increased, while receivables turnover decreased considerably, from 39 to 27 days, and payables turnover decreased insignificantly. As a result, working capital growth of 23 % was comparable with revenue growth, and at the end of 2011 the working capital/revenue ratio was the same as at the start of the year.
In 2011, cash flow from operating activities was USD 578 million, lower than in 2010 due to a reduction in operating profit and to the growth in working capital.

In 2011, cash outflow due to investment activities was USD 1,128 million (44 % down on 2010). Most of the cash outflow (USD 1,154 million) was attributable to capital expenditure.

In 2011, USD 426 million was raised from financial activities (63 % down on 2010). Financial activities comprise raising and repayment of loans (USD 3,358 million and USD 2,350 million, respectively), acquisition of 50 % of the shares of MMK-Metalurji (USD 475 million) and payment of dividends (USD 122 million).

In 2011, the Company's total debt, including leasing debt, increased by USD 868 million. This was largely due to an increase of USD 629 million in long-term debt. Short-term debt increased only insignificantly, and the Company has been able to maintain a high level of financial stability.

As of 1 January 2011, dollar-denominated borrowings accounted for the largest part of the debt structure by currency, at 45 %. However, this share declined during the year as the share of rouble-denominated debt increased to 34 % from 28 % as a result of MMK's policy to mitigate the effect of exchange rate fluctuations on the Company's financial position.
Risk Management

MMK was among the first Russian ferrous metals companies to develop and launch a comprehensive risk management system that meets international standards. MMK has a risk management division, an approved risk management policy and a corporate standard for risk management.

By managing risk appropriately, MMK aims to ensure strategic and operational sustainability and to develop its business.

The goals of MMK’s risk management policy are:

- Identifying and assessing risk;
- Provision of information about risks to MMK’s shareholders, governing bodies and employees;
- Development and implementation of actions to mitigate risks;
- Risk monitoring;
- Establishment of risk management procedures;
- Control of compliance with approved risk management procedures;
- Making risk management processes an integral part of MMK’s strategic and operating management.

MMK keeps its risk management system updated and makes improvements on a rolling basis. In 2011, the Company implemented the following measures:

- Development and subsequent approval by the Board of Directors of a new version of the MMK Risk Management Policy;
- Identification and evaluation of the principal risks faced by MMK Group companies (work on consolidating the risks facing MMK Group companies and drafting of a Risk Map is planned for 2014);
- Completion of the introduction of a Comprehensive Risk Management System at MMK’s production sub-divisions;
- Introduction of a multi-faceted approach to evaluating risks of building and structural failure;
- Improvement of risk management procedures regarding non-fulfilment of payment obligations for steel products;
- To mitigate the risk of production stoppages, the CEO approved the list of plants considered production bottlenecks. A reserve stock of spare parts has been established for these plants.

The main risks faced by MMK are the following:

1. Low actual demand and prices for steel products
2. Higher prices for iron ore raw materials, coal, metallic scrap and non-ferrous metals
3. Failure by contractors to meet obligations
4. Non-compliance with financial and economic parameters specified in investment and integration projects
5. Claims for loan prepayments
6. Corporate fraud
7. Currency risk
8. Claims for recovery under guarantees issued to third parties
9. Accidents
10. Industrial emergencies and incidents
11. Interest risk
12. Environmental risk

A senior manager has been appointed to manage each risk identified, and appropriate risk mitigation measures have been developed based on a risk evaluation.

MMK’s Board of Directors assesses the performance of the Company’s Comprehensive Risk Management System annually based on the results of each year.

Distribution of duties among main participants in risk management process

<table>
<thead>
<tr>
<th>The Board of Directors</th>
<th>The Audit Committee of the Board of Directors</th>
<th>The General Director of MMK</th>
<th>Top managers responsible for risk management</th>
<th>Risk management group of the Internal Audit and Risk Management Department</th>
<th>Sub-divisions of OJSC MMK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of Risk Map</td>
<td>Approval of policy on responsibility for risk management</td>
<td>Development of risk mitigation activities</td>
<td>Development of risk mitigation activities</td>
<td>Preparation of Risks Report</td>
<td>Drawing up of Panel and Risk Report for sub-divisions</td>
</tr>
</tbody>
</table>
Social Responsibility

As a socially oriented company, MMK is concerned about the interests of society. This concern goes well beyond what is required by law, as the Group takes considerable measures to provide a higher standard of living to its employees and their families, the local community and society as a whole.

In 2011, MMK spent USD 96 million on a variety of social programmes, which is USD 19 million more than in 2010. The parent company (OJSC MMK) allocated a further RUB 2.1 billion (USD 73 million) for the implementation of the Group’s social policy in 2011, including for the sponsorship of Metallurg Ice Hockey Club.

Health and medical care programmes

Medical care programmes are the mainstay of the Company’s social policy. The Company spent RUB 367 million to implement preventive health care and treatment programmes, which is RUB 14 million more than in 2010.

Improving the health of employees and their families

In 2011, 16,100 employees and their families spent their vacations in health resorts and vacation facilities, with 50% of them receiving spa treatment. The Company contributed RUB 310 million towards covering the cost of these vacations, which is 30% more than in 2010.

Maternity support and birth rate stimulation programme

MMK has been implementing a maternity support and birth rate stimulation programme for eight years. In 2011, the Company spent RUB 35.6 million on this programme (up from RUB 34 million in 2010). Since 2008, MMK has also had a programme to support employees with large families (with three or more children under 18 years old). In 2011, the programme included 216 families, with a cost of RUB 7.1 million.

Housing programme

In 2010, MMK completed the construction of a 17-storey building comprising 112 apartments with a total area of 6,410 m² and began construction of an additional multi-storey block which will comprise 202 apartments with a total area of 13,200 m². MMK has a programme to assist young steel-makers’ families in purchasing apartments. Every year 30 young families receive subsidies worth RUB 80,000 each and are entitled to purchase a one-room apartment at a subsidized price.

Sports

In 2011, the Company spent RUB 106 million arranging mass entertainment sporting events.

Charity

MMK conducts its charitable activities through the Metallurg Charity Foundation. In 2011, the Metallurg Foundation received contributions for a total of RUB 423 million, over 95% of which came from MMK Group.

Labour safety

The corporate labour and industrial safety management system was certified for compliance with the international OHSAS 18001: 2007 standards (2008). In 2011, under the Labour Safety Agreement 86, a number of steps aimed at improving labour conditions and preventing occupational diseases were taken.

<table>
<thead>
<tr>
<th>description</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of personal protective gear</td>
<td>146.1</td>
<td>173.6</td>
</tr>
<tr>
<td>Purchase of polyvitamins and dietary products for employees working in hazardous conditions</td>
<td>16.4</td>
<td>18.4</td>
</tr>
<tr>
<td>Laboratory tests for workplace certification</td>
<td>179</td>
<td>19.3</td>
</tr>
<tr>
<td>Purchasing of bottled mineral water for employees working in hot environments</td>
<td>11.9</td>
<td>54.2</td>
</tr>
<tr>
<td>Special dietary products for employees working in hazardous conditions</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Other labour safety costs</td>
<td>211.2</td>
<td>219.1</td>
</tr>
<tr>
<td>Total</td>
<td>405.7</td>
<td>487.0</td>
</tr>
</tbody>
</table>
Environmental Protection

MMK carries out its production activities in accordance both with Russian environment protection laws as well as the ISO 14001:2004 international standard.

MMK views the minimization of its impact on the environment as a strategic goal and a key element of the Company's long-term, sustainable growth.

In 2011, MMK’s Environmental programme produced the following positive results:

- gross pollutant emissions into the atmosphere were reduced by 0.35 thousand tonnes (0.2 %) to 220.5 thousand tonnes;
- emissions of iron, manganese and fluoride into water bodies were reduced, respectively, by 4.8 tonnes (14 %), 3.1 tonnes (16.9 %) and 124.4 tonnes (31.4 %);
- the volume of waste in the sintering division increased by 5 % to 2.29 million tonnes;
- the share of recycled water amounted to 97.5 % of total water consumption for industrial purposes.

MMK does not specially monitor the emission of ozone-depleting substances produced in its operations.

<table>
<thead>
<tr>
<th>Pollutant</th>
<th>Discharges in 2010, tonnes</th>
<th>Discharges in 2011, tonnes</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Particulate matter (dust)</td>
<td>25,511.9</td>
<td>26,365.3</td>
<td>854.4</td>
</tr>
<tr>
<td>Sulphur dioxide (SO2)</td>
<td>17,251.8</td>
<td>16,198.3</td>
<td>1053.5</td>
</tr>
<tr>
<td>Nitrogen dioxide (NO2)</td>
<td>16,037.6</td>
<td>15,651.0</td>
<td>386.6</td>
</tr>
<tr>
<td>Carbon oxide</td>
<td>153,544.5</td>
<td>155,632.5</td>
<td>2078.0</td>
</tr>
<tr>
<td>Ammonia</td>
<td>440.8</td>
<td>444.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Hydrogen sulphide</td>
<td>59.6</td>
<td>60.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Phenol</td>
<td>96.0</td>
<td>96.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Other</td>
<td>7,932.6</td>
<td>8,072.6</td>
<td>140.0</td>
</tr>
<tr>
<td>Total discharge</td>
<td>220,874.8</td>
<td>220,520.9</td>
<td>353.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pollutant</th>
<th>Discharge in 2010, tonnes</th>
<th>Discharge in 2011, tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Ferrum</td>
<td>34.1</td>
<td>29.4</td>
</tr>
<tr>
<td>Mn</td>
<td>18.6</td>
<td>15.5</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>59.9</td>
<td>62.7</td>
</tr>
<tr>
<td>Sulphates</td>
<td>46,198.5</td>
<td>51,388.3</td>
</tr>
<tr>
<td>Dry residual</td>
<td>396.1</td>
<td>271.7</td>
</tr>
<tr>
<td>Fluorides</td>
<td>46.8</td>
<td>53.6</td>
</tr>
<tr>
<td>Other</td>
<td>92,129.5</td>
<td>104,045.4</td>
</tr>
<tr>
<td>Total discharge</td>
<td>158,883.5</td>
<td>155,866.6</td>
</tr>
</tbody>
</table>

In 2011, MMK disposed of sewage from 7 outlets into 3 surface water bodies:

- within the city limits from the cooling water recirculation system into the Magnitogorsk Reservoir – 220.874.8 thousand m³;
- within the city limits from the Co-Generation Plant’s ash dump into the Magnitogorsk Reservoir – 220.520.9 thousand m³;
- from sludge depository No. 2 into the Sukhaia River (a fish breeding body of water) – 220.874.8 thousand m³;
- quarry water from the limestone mine into the Ural River (a fish breeding body of water) – 220.520.9 thousand m³;
- quarry water from the dolomite mine into the Ural River – 3,908.62 thousand m³;
- within the city limits from the Co-Generation Power Plant’s cooling system into the Magnitogorsk Reservoir – 78,105.68 thousand m³.
MMK’s water protection strategy focuses on maximizing the use of recycled water for its water supply systems. In 2011, the share of recycled water accounted for 97.5% of the total water supply for industrial purposes.

The use of industrial waste in the production and reclamation of exhausted ore mining pits is a key priority for MMK. The total capacity of slag processing facilities at present is 11.5 mtpy. The total volume of MMK’s metallurgical slag dumps exceeds 60 million tonnes. Given the current production levels, these slag dumps should be fully processed within 6-9 years.

Hazardous waste category | Waste disposal in 2010, tonnes | Waste disposal in 2011, tonnes
--- | --- | ---
1 Class | 0 | 0
2 Class | 0 | 0
3 Class | 31,630.8 | 29,558.4
4 Class | 98,975.6 | 89,589.9
5 Class (without gangue) | 1,085,570.1 | 1,353,200.5
Total (without gangue) | 1,216,176.5 | 1,472,348.8
5 Class (gangue) | 30,091,792.0 | 32,378,687.0

MMK does not engage in the cross-border transportation or collection of waste (in accordance with the Basel Convention).

As part of its 2011 Environmental Programme, MMK implemented 32 specific measures aimed at reducing or preventing the environmental impact of the Company’s operations.

The cost of environmental protection measures in 2011 amounted to RUB 2,085.69 million, out of which:

- RUB 174.56 million was spent on the reduction of pollutant emissions into the atmosphere;
- RUB 1901.0 million was spent on the reduction of pollutant emissions into bodies of water;
- RUB 10.13 million was spent on industrial waste disposal.
### MMK’s expenditure on environmental protection in 2011:

<table>
<thead>
<tr>
<th>Cost description</th>
<th>Amount, RUB m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital construction</td>
<td>2,023.6</td>
</tr>
<tr>
<td>Overhauls</td>
<td>65.9</td>
</tr>
<tr>
<td>Maintenance (current repairs and operational costs)</td>
<td>1,795.6</td>
</tr>
<tr>
<td>R&amp;D in environmental protection</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,886.7</strong></td>
</tr>
</tbody>
</table>

In total, MMK spent RUB 3,886.7 million in 2011 on environmental protection. The cost of building new, and renovation existing, environmental facilities amounted to RUB 2,023.6 million during the year.

### Use of Power Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit of measure</th>
<th>Quantity</th>
<th>Amount, '000 RUB</th>
<th>Price, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Power, total</td>
<td>'000 kWh</td>
<td>7,091,003</td>
<td>10,111,347</td>
<td>1,425.9</td>
</tr>
<tr>
<td>Electric Power Generation</td>
<td></td>
<td>5,147,814</td>
<td>5,907,256</td>
<td>1,147.5</td>
</tr>
<tr>
<td>Purchased Electric Power</td>
<td></td>
<td>1,943,189</td>
<td>4,204,091</td>
<td>2,163.5</td>
</tr>
<tr>
<td>Thermal Power, total</td>
<td>Gcal</td>
<td>6,359,217</td>
<td>3,502,926</td>
<td>550.8</td>
</tr>
<tr>
<td>Thermal power in hot water</td>
<td>Gcal</td>
<td>902,414</td>
<td>495,466</td>
<td>537.7</td>
</tr>
<tr>
<td>Thermal power in steam</td>
<td>Gcal</td>
<td>5,437,805</td>
<td>3,007,460</td>
<td>553.1</td>
</tr>
<tr>
<td>Natural gas</td>
<td>'000 m³</td>
<td>4,359,504</td>
<td>11,671,423</td>
<td>2,689.7</td>
</tr>
<tr>
<td>Power-generating coal</td>
<td>t</td>
<td>94,113</td>
<td>251,634</td>
<td>2,673.7</td>
</tr>
<tr>
<td>Diesel-fuel oil</td>
<td>l</td>
<td>36,691,170</td>
<td>738,636</td>
<td>20.1</td>
</tr>
</tbody>
</table>
HARNESSING STEEL
Products for the automotive sector

www.mmk.ru
Corporate Governance

Corporate Governance Objectives:

MMK maintains high standards of corporate governance. The company's strong governance, combined with its solid financial performance, makes it a reliable partner for investors.

The overall objective of MMK’s corporate governance is to increase the Company’s value while balancing the interests of all stakeholders.

The Company seeks to achieve this objective by:

1. Protecting the rights and interests of all shareholders;
2. Ensuring transparency of information on the Company’s activities;
3. Establishing a governance structure to support the Company’s strategic management, as well as to oversee and ensure accountability of the management;
4. Building trusted 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 (posted on MMK’s official website: http://www.mmk.ru/corporate_governance/internal_documents/code_of_corporate_governance, as approved by the Board of Directors on 21 September 2001.

In 2011, MMK’s Charter was revised and supplemented as follows:

The governance structure was changed. The Company does not have a collective executive body in the form of a Management Board. The governance structure includes the General Shareholders’ Meeting, Board of Directors and the Individual Executive Body (General Director).

The criteria for determining Directors’ independence are in accordance with the UK Corporate Governance Code.

Certain responsibilities were shifted from the General Director to the Board of Directors. The Board’s responsibilities now include adoption of resolutions on transactions exceeding 0.3% of the book value of the Company’s assets, and approval of the Company’s organizational chart.

Due to amendments to the Federal Law “On Joint Stock Companies” coming into effect, the dividend payment period was changed. Previously annual dividends were paid by the end of the year, while interim dividends were paid within 180 days of the decision to pay the dividends. According to new provisions, dividends are to be paid to all shareholders at the same time and within 60 days of a resolution by the shareholders’ meeting to pay dividends.

The number of Audit Committee members was changed from 3 to 12.

The Charter states that the Head of the Audit Committee is accountable to the Board of Directors.

To enhance operations further, the Company also adopted a Code of Business Ethics, approved by the Board of Directors on 17 July 2009. The Code of Business Ethics and other corporate bylaws can be found on the Company’s website at: http://www.mmk.ru/corporate_governance/internal_documents/.

The General Shareholders’ Meeting is the supreme governance body.

The Board of Directors is in charge of managing the Company’s activities (except for matters for which the General Shareholders’ Meeting has responsibility), and it is also responsible for overseeing the implementation of resolutions adopted by the Board of Directors or General Shareholders’ Meeting.

The Individual Executive Body, which is the Company’s General Director, is in charge of the Company’s day-to-day operations.

In accordance with Russian legislation and international standards, an independent Auditor and the Audit Committee supervise the Company’s financial and economic activities.

MMK’s Corporate Governance Rating

In July 2011, the consortium of the Russian Institute of Directors and Expert RA Rating Agency increased MMK’s corporate governance rating to 8 (on a scale of 1-10), indicating "advanced corporate governance" in accordance with the National corporate governance scale. MMK was considered to observe relevant corporate governance legislation, while also adhering to most recommendations of the Russian Code of Corporate Conduct and being in line with many aspects of best international corporate governance practice.
General Shareholders’ Meeting

The General Shareholders’ Meeting is the Company’s supreme governance body.

A notice of 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 not later than 30 days before the date of the meeting with an announcement being published in the Magnitogorsky Rabochiy and Magnitogorsky Metalli 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:


A registrar performs the functions of a counting commission (CISC STATUS). Persons entitled to participation in the General Shareholders’ Meeting to be conducted in the form of a meeting must be registered at the venue of the meeting starting at a time specified by the Board of Directors, and until the close of the meeting.

Voting on agenda items is conducted by means of voting ballots. Voting ballots must be sent to shareholders by registered mail not later than 30 days before the date of the meeting.

In line with best practice, MMK provides its shareholders (including owners of GDRs) with sufficient time to cast votes at General Shareholders’ Meetings. According to the Company’s bylaws a notice of the meeting and voting ballots shall be sent not later than 40 days following the end of the financial year.

Resolutions adopted by the General Shareholders’ Meeting and voting results must be announced at the meeting where voting takes place, and persons entitled to participate in the General Shareholders’ Meeting should be notified within 10 days of the preparation of minutes on the voting results in a form of a report to be published in the Magnitogorsky Rabochiy and Magnitogorsky Metalli newspapers.

International investors participate actively in voting at MMK’s General Shareholders’ Meetings through a system of proxies established by depositary bank, The Bank of New York Mellon:

Holdings Limited.

A report on the results of voting at the AGSM on 20 May 2011 can be found at:

http://www.mmk.ru/upload/iblock/967/qcbxzlagxd%01cfq%01elignkonked%20mxiqnegjabilcgasffjlon%00wus%20fjxjkhk%202011.05.2011.pdf
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 have been elected to the Board of Directors to enhance oversight, transparency and the efficiency of the Company’s governing bodies. Independent directors include Peter Charow, Sir David Logan, Zumrut Rustomova, Bernard Sucher and David Herman.

In 2011, the Shareholders’ Meeting approved the Regulations on MMK’s Board of Directors with respect to independence criteria for Board members. The criteria used by MMK are in line with the UK Corporate Governance Code.

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

- members who at the moment of election or for a term of five years prior to it 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 prior to it do not have or have not had any material commercial relations with the Company directly as or as a partner, shareholder or a member of governance bodies of an organization involved in such 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 plans of the Company or in remuneration scheme based on the Company’s performance; members who are not members of the Company’s pension fund (pension programs);
- 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 Individual Executive Body;
- 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 governance bodies of other companies;
- 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.

Remuneration of members of the Board of Directors:

Criteria for determining the remuneration of Board members are set out in the Regulations on the Procedure of Remuneration and Compensation of Expenses of Members of the Board of Directors: http://www.mmk.ru/corporate_governance/internal_documents/group_documents/

The size of 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.

The size of remuneration of MMK’s Board of Directors is specified in civil law contracts, and comprises fixed remuneration for performance of their duties and additional remuneration for participation:

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

MMK compensates documented expenses of members of the Board of Directors related to performance of duties of a member of the Board of Directors (travel expenses including first and business class travel, accommodation; taxi fares, communication and mail expenses).

Pursuant to Paragraph 2 of Article 64 of the Federal Law “On Joint Stock Companies”, members of the Board of Directors may receive remuneration and/or reimbursement of expenses related to the performance of duties of members of the Board of Directors during their term of office according to a resolution of the General Shareholders’ Meeting. The size of such remuneration and compensation is determined by the General Shareholders’ Meeting.
Members of the Board of Directors
(as of 1 January 2012):

Victor RASHNIKOV
(born in 1948) – Chairman of the 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, Minhta Holding Limited; since 1999, President of the Metallurg Ice Hockey Club; since 2001, member of the Management Board of the Autonomous Non-Profit Organization Medical Care Unit of the City Administration of Magnitogorsk and OISC 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 the LLC Continental Hockey League; since 2010, President of the Non-profit Partnership Konsortsium Russkaya Stal; since 2011, President of the Administration Board of MMK Trading AG and 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.

Graduate of the Magnitogorsk Institute of Mining and Metallurgy (1974), metallurgical engineer; graduate of the Magnitogorsk Academy of Mining and Metallurgy (1993), manager; D.Sc (Technology); Professor.

Zumrud RUSTAMOVA
(born in 1970), Deputy CEO of OJSC Polymetall UK; Russian citizen; member of the Board of Directors since 21 April 2006, proposed by the OJSC MMK Board of Directors; since 2008, member of the Board of Directors of OISC Sheremetyevo International Airport; since 2009, member of the Board of Directors of OISC KHANTY-MANSIYSK BANK, and member of the Board of Directors of OISC Polyus-Zoloto, since 2011, member of the Board of Directors of OISC PKH Group.


Peter CHAROW
(born in 1954) – Vice-President of British Petroleum for Russia; member of the Board of Directors of OISC TNK-BP Holding; member of the Board of Directors since 30 March 2007, proposed by the OISC MMK Board of Directors.


Sir David LOGAN
(born in 1943), since 2004, member of the Supervisory Board of Efes Breweries International; since 2003, non-executive director of European Nickel plc; since 2005, Chairman of the Management Board of the British Institute at Ankara (BIA); citizen of the United Kingdom; member of the Board of Directors since 30 March 2007.

Education: Master of Arts (Hons) from Oxford University, UK in 1965.

Bernard SUCHER
(born in 1960) – since 2006, President of I.M.Galt, Inc.; since 2011, member of the Board of Directors of Aton Group; since 2011, member of MMK’s Board of Directors.


David HERMAN
(born in 1946) – since 2006, Chairman of the Board of Directors of OISC Sollers; since 2009, Chairman of the Board of Directors of DELTA AUTO; since 2011, member of MMK’s Board of Directors.

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 in 1958) – since 2011, MMK’s General Director; since 2010, member of the Board of Directors of OJSC Zavod #9; since 2011, member of the Board of Directors of MMK Metalurji Sanayi, Ticaret ve Liman İşletmeciliği Anonim Şirketi; since 2011, member of MMK’s Board of Directors.
Graduate, Magnitogorsk Mining and Steel Academy (1990), Russian Presidential Academy of National Economy and Public Administration (2001).

Nikolai LYADOV
(born in 1956) – since 2011, MMK’s Deputy General Director for Sales; since 2011, member of the Board of Directors of JSC Intercos-IV; since 2011, member of MMK’s Board of Directors.
Graduate, Magnitogorsk Institute of Mining and Metallurgy, specializing in transport organization and administration.

Vitaly BAKHMETIEV
(born in 1961) – since 2011, MMK’s Deputy General Director for Commerce; since 2011, member of MMK’s Board of Directors.
Graduate, Magnitogorsk Institute of Mining and Metallurgy, specializing in ferrous and non-ferrous alloys casting.

Oleg FEDONIN
(born in 1967) - since 2010, member of MMK’s Board of Directors.
Graduate of the Magnitogorsk Institute of Mining and Metallurgy in 1983 with a degree in metallurgical engineering; Ural Academy of Public Administration (1996), PhD (Economics) (2002).
Individual Executive Body
At the Annual General Shareholders’ Meeting on 20 May 2011, functions of the Individual Executive Body were transferred to MMK’s General Director (previously the functions were performed by LLC MMK Managing Company). The Individual Executive Body, the Company’s General Director, manages the Company’s day-to-day operations.

The General Director is elected (appointed) by the General Shareholders’ Meeting for a five-year term and may be re-elected (re-appointed) an unlimited number of times. Shareholders (shareholder) owning in total at least 1% of the Company’s voting shares may nominate a candidate for the position of the Company’s General Director within 40 days of the end of the financial year preceding the final year of the General Director’s term of office.

The General Director’s responsibilities include all matters related to management of the Company’s day-to-day operations, except for questions for which the General Shareholders’ Meeting and the Board of Directors have responsibility. The Company’s General Director is Boris Dubrovsky.

MMK’s Management Board
Before 20 May 2011, the Company’s collective executive body was the Management Board. After 20 May 2011, functions of the Management Board were distributed between the General Director and the Board of Directors.
Remuneration of Senior Management

Remuneration of MMK’s senior management comprises a monthly salary and an annual bonus. The annual bonus depends on achievement of key performance indicators. Key performance indicators are determined based on MMK’s short- and long-term goals.

Members of MMK’s senior management do not receive any additional compensation for their work in MMK’s and its subsidiaries’ governing bodies (MMK’s Management Board and Boards of Directors of subsidiaries).

Audit Committee

Functions
Internal audit of the Company’s financial and business operations; Ensuring legal compliance and protection of shareholder rights.

Committee members: 12
Chairman: Igor Vier (born in 1961)

Committee members:
- Dmitry Lyadov (born in 1973)
- Evgeny Kebenko (born in 1969)
- Alexander Maslennikov (born in 1969)
- Alexey Zaitsev (born in 1977)
- Yaroslav Letimin (born in 1969)
- Oksana Dyuldina (born in 1971)
- Ilya Postolov (born in 1976)
- Galina Akimova (born in 1969)
- Boris Chistov (born in 1974)
- Olga Nazarova (born in 1983)
- Elena Artamonova (born in 1954)

Remuneration of the Audit Committee
On 20 May 2011 MMK’s Annual General Shareholders’ Meeting approved the size of remuneration and compensation to members of the Audit Committee totalling RUB 39 million.

Regulations:
http://www.mmk.ru/upload/iblock/f52/dfkagobhmcsdpkvnx%200%20ai%20vdslniognumzrupovx%2e%0e%2e%20asndvukubfrfw%20ojtuac%20ojidzu%20aabbssowvfi.pdf.

Information about the Registrar
Closed Joint-Stock Company Registrar Company STATUS (license # 10-000-1-00304, issued on 12 March 2004 by the Federal Agency for Financial Markets for an indefinite period) is responsible for maintaining and keeping OJSC MMK’s share register. The Registrar’s registered office is located at the address: Ul. Novorogozhskaya 32, Building 1, Moscow, 109544, Russian Federation
tel: +7(495) 974-83-50
fax: +7(495) 678-71-20
e-mail: office@rostatus.ru

Financial Reporting Internal Control System
OJSC MMK has created and operates an internal control system. The system’s efficiency is assessed every year with respect to the materiality level evaluated on an annual basis in order to verify the reliability of annual consolidated financial statements. To determine the materiality level, a top-down approach is applied in conformity with the methodology used for internal control systems’ audits as set out in Audit Standard # 5 (PCAOB AS5).

The financial reporting internal control system is operated to ensure a reasonable degree of security regarding the accuracy of financial reports and their compliance with the applicable standards (IFRS).

Day-to-day supervision of the financial statements is performed independently by the Vice President for Finances and Economics and the Control Administration.

Information on the Auditor
The auditor’s rotation policy is in line with regulations governing OJSC MMK Board of Directors’ Audit Committee, and is based on the selection of an internationally renowned and reputable auditor.

In 2011, KPMG was the Company’s Auditor (KPMG was also the Company’s Auditor from 1997 to 2005). From 2006 to 2010, the Company’s Auditor was Deloitte and Touche CIS, a division of Deloitte.

The Auditor’s fees in 2011 totalled RUB 28 million and included:
- fees for audit of RAS 2011 accounting (financial) statements totalling RUB 8 million;
- fees for review of the 2011 consolidated accounting (financial) statements and audit of accounting (financial) statements prepared under IFRS totalling RUB 20 million.

Every year the appointed Auditor confirms its independence from the Company. The Board’s Committee for Audit reviews the provision of any non-audit services to be provided by the Auditor, in order to maintain the independent status of the Company’s Auditor.

In 2011, KPMG did not provide any services to OJSC MMK which were not related to audit. Membership certificate #255 dd. 28.12.2009. Principal Number of Registration Entry: 10301000804. Location: Olimpiysky Prospekt 18/1, ap.3035, Moscow.
Information for Investors

Information on Company Securities

Ordinary Shares

OJSC MMK’s shares are traded on MICEX-RTS, the leading Russian stock market, and are listed on the London Stock Exchange (LSE).

<table>
<thead>
<tr>
<th>Trading Platform</th>
<th>Issuer code</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICEX-RTS, Moscow</td>
<td>MAGN</td>
</tr>
<tr>
<td>LSE, London</td>
<td>MMK</td>
</tr>
</tbody>
</table>

*MICEX and RTS merged on 16 December 2011

On the LSE, MMK’s shares are traded as Global Depositary Receipts (GDRs), 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:

<table>
<thead>
<tr>
<th>Index</th>
<th>Date of inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTS Index</td>
<td>15.10.2007</td>
</tr>
<tr>
<td>MICEX Index</td>
<td>15.10.2007</td>
</tr>
<tr>
<td>RTS Metals and Mining Index</td>
<td>15.06.2007</td>
</tr>
<tr>
<td>MICEX Metals and Mining Index</td>
<td>14.08.2007</td>
</tr>
<tr>
<td>MICEX MC Index</td>
<td>06.08.2007</td>
</tr>
<tr>
<td>DAX Global Russia</td>
<td>24.09.2007</td>
</tr>
</tbody>
</table>

OJSC MMK Share Quotes and Trading Volumes on LSE (USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum</th>
<th>Maximum</th>
<th>End of the period</th>
<th>Average daily trading volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.09</td>
<td>11.53</td>
<td>11.3</td>
<td>3,673,185</td>
</tr>
<tr>
<td>2010</td>
<td>8.79</td>
<td>15.19</td>
<td>14.55</td>
<td>5,892,020</td>
</tr>
<tr>
<td>2011</td>
<td>4.25</td>
<td>16.23</td>
<td>4.87</td>
<td>6,022,151</td>
</tr>
</tbody>
</table>

OJSC MMK GDR Share Price on LSE
and Bloomberg Europe Metals & Mining Index in 2011

Share price

Trading volume

OJSC MMK Share Price and Trading Volumes on MICEX (RUB)

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum</th>
<th>Maximum</th>
<th>End of the period</th>
<th>Average daily trading volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>5.03</td>
<td>27.19</td>
<td>25.03</td>
<td>43,155,031</td>
</tr>
<tr>
<td>2010</td>
<td>20.80</td>
<td>34.61</td>
<td>32.90</td>
<td>72,142,274</td>
</tr>
<tr>
<td>2011</td>
<td>10.91</td>
<td>37.06</td>
<td>12.36</td>
<td>121,457,684</td>
</tr>
</tbody>
</table>
MMK’s market cap trended upwards in Q1 2011 and reached a year high of USD 13,951 million on January 18, 2011. In March 2011, the global geopolitical situation began to deteriorate rapidly (earthquake in Japan, escalation of riots in Bahrain and worse than expected economic performance in the US). The stock markets were immediately affected, with investors fearing that the global economic recovery might be undermined.

In September 2011, global market meltdown continued amid new recession fears, unresolved issues related to Greece and discouraging suggestions from the US Federal Reserve regarding support for financial markets. As of 31 December 2011, MMK’s market capitalization stood at USD 4,183 million.

Supported by the global economic recovery and progressively increasing world demand for steel products in 2010, investor demand for MMK shares increased in Q1 2011. During this period, MMK continued to increase its exposure to the domestic market.

At the beginning of Q2 2011, stocks trended downwards as the Greek debt crisis threatened to spill over into other European markets. Russian and European stock indices declined amid fears that the European debt crisis might hamper the global recovery.

As of 30 December, 2011, analysts from leading investment banks, including JP Morgan, Morgan Stanley, Citi Group, Credit Suisse, UBS, Merrill Lynch, had “buy” recommendations on MMK shares. Among the Company’s strengths they listed the growing share of high value added products, exposure to burgeoning sectors of the domestic market and the highest potential in the sector to increase output.

MMK’s investor relations programme in 2011 helped to improve liquidity. The average daily trading volume for the three stock markets (RTS, MICEX, LSE) reached USD 10.0 million in 2011 (against USD 8.1 million in 2010). The LSE remained the most liquid trading venue for the Company, accounting for 60% of share transactions in 2011. Share turnover on the Russian stock market began to increase at the end of 2011.

Investor Relations

One of the Company’s priorities is to maintain strong relations with existing and potential investors through direct dialogue and in line with existing legislation and best practice. MMK’s management has focused on responding to the interests of investors, and establishing a relationship based on trust by improving transparency. 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 on MMK’s official site at: http://www.mmk.ru in the Investor Relations and Corporate Governance sections.

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

Investors are invited to contact us with any questions related to MMK’s business activity:

Valentina Khavantseva
Corporate Secretary
Tel: +7 (3519) 24-72-29
E-mail: khavanceva.vn@mmk.ru

Andrey Serov
Investor Relations Department
Tel: +7 (3519) 24-52-97
E-mail: serov.ae@mmk.ru
2012 Financial Calendar*

<table>
<thead>
<tr>
<th>General Shareholders’ Meetings</th>
<th>OJSC MMK Annual General Shareholders’ Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publication of Production Results</td>
<td>OJSC MMK Annual General Shareholders’ Meeting</td>
</tr>
</tbody>
</table>

Board of Directors Meetings

| 10 February 2012 | OJSC MMK Board of Directors Meetings |
| 20 April 2012   |                                  |
| 25 May 2012     |                                  |

Publication of RAS Financial Statements

| 22 March 2012 | Q4 (12 months) 2011 |
| May 2012      | Q1 (3 months) 2012 |
| August 2012   | Q2 (6 months) 2012 |
| October 2012  | Q3 (9 months) 2012 |

Publication of IFRS Financial Statements

| 18 April 2012 | Q4 (12 months) 2011 |
| June 2012     | Q1 (3 months) 2012 |
| September 2012| Q2 (6 months) 2012 |
| December 2012 | Q3 (9 months) 2012 |

Publication of Production Results

| 27 January 2012 | Q4 (12 months) 2011 |
| 26 April 2012   | Q1 (3 months) 2012 |
| July 2012       | Q2 (6 months) 2012 |
| October 2012    | Q3 (9 months) 2012 |

Report on Payment of Declared (Accrued) Dividends on OJSC MMK Shares

MMK’s dividend policy is based on shareholders’ interests and the Company’s requirements for further growth and technological upgrades.

The Regulations on the Dividend Policy can be found at the following address: [http://www.mmk.ru/corporate_governance/internal_documents/group_documents/](http://www.mmk.ru/corporate_governance/internal_documents/group_documents/)

<table>
<thead>
<tr>
<th>Basis year for dividend accrual</th>
<th>Dividend per share, RUB</th>
<th>Dividends accrued</th>
<th>Dividend as a proportion of net profit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>3.209</td>
<td>34,112,381.11 RUB</td>
<td>90 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,287,696.70 USD</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>0.920</td>
<td>10,488,754.52 RUB</td>
<td>24 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>428,712.38 USD</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>0.382</td>
<td>4,268,594.06 RUB</td>
<td>16 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>173,891.90 USD</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>0.37</td>
<td>4,134,502.1 RUB</td>
<td>56 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>150,921.54 USD</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.33</td>
<td>3,687,528.90 RUB</td>
<td>48 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>121,420.12 USD</td>
<td></td>
</tr>
<tr>
<td>2011**</td>
<td>0.00</td>
<td>— RUB ‘000</td>
<td>0 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— USD ‘000</td>
<td></td>
</tr>
</tbody>
</table>

*For 2006-2007 under US GAAP, for 2008-2010 under IFRS (parent company shareholders’ profit for the period).

** At the meeting on April 20, 2012, the Board of Directors resolved not to distribute dividends for 2011.

*dates are subject to change ([http://www.mmk.ru/for_investor/financial_calendar/](http://www.mmk.ru/for_investor/financial_calendar/))
Board of Directors report on MMK's performance in 2011

Following on from the Strategic Development Plan through 2017 approved by the Board of Directors in 2008, in 2011 a Business Development Plan through 2013 was drafted and ratified. The Business Development Plan includes the following priorities:

1. Procurement of raw materials;
2. Expansion of steel products deliveries to the higher priority domestic market;
3. Consolidation of MMK's position in the key export markets of Asia, the Middle East and North Africa;
4. Technical upgrading of OJSC MMK;
5. Improvement of the Quality Management System;
6. Improvement of the Corporate Governance System;
7. Minimization of environmental impact;
8. Improvement of the HR management system;

In 2011, the Board of Directors held 17 meetings and voted on 203 issues. The most significant decisions with the greatest effect on the Company's activity in the reporting year were the following:

1. Determination to establish a Committee for Audit, Committee for Strategic Planning and Corporate Governance, and Committee for Nominations and Remunerations, all reporting to the Board of Directors;
2. Decisions to approve long-term plans, projects, strategies and core activities of MMK and companies within MMK Group;
3. Decisions governing the Company's financial and economic strategy (monitoring of execution and approval of OJSC MMK's financial and economic plan and guidelines of fundraising and placement).

Under the Federal Law on Joint Stock Companies, the Board of Directors is the key body safeguarding shareholders' rights, shaping and implementing the Company's strategic development plan and overseeing successful operating and financial results.

All of the Board's actions in the reporting year were fully transparent for shareholders, and minutes of all meetings are available to any shareholder on request.

The Board's activity in 2011 was in full conformity with the approved programme, and implementation was monitored on a regular basis. There were no unexecuted decisions for the reporting period.

General Information on MMK

Full Name of the Company:

• in Russian: Открытое акционерное общество «Магнитогорский металлургический комбинат»;
• in English: Open Joint Stock Company Magnitogorsk Iron & Steel Works.

Abbreviated Name of the Company:

• in Russian: ОАО «ММК»;
• in English: OJSC MMK.

State Registration Certificate

Certificate #0002 series GA (registration #186).
Date of state registration: 17.10.1992.
Certificate of Entry in the Uniform State Register of Legal Entities: series 74 # 000603904, OGRN 1027402166835, date of entry: August 12, 2002.

The Company's location and postal address:

Ul. Kirova 93, Magnitogorsk, 455000, Chelyabinsk Region, Russia.
Tel: 24-72-92, 24-30-04, Fax: 24-73-09

Company Website:

Web-site: http://www.mmk.ru
Communications and Public Relations:
Phone: (3519) 24-03-02, fax: (3519) 24-85-54, e-mail: press@mmk.ru

Legal Status of OJSC MMK

Magnitogorsk Iron and Steel Works is an open joint stock company. According to the legislation of the Russian Federation, a joint stock company is an organization whose authorized capital is divided into a certain number of shares which certify rights of obligation of the company’s members (shareholders) in relation to the company.

The shareholders are not responsible for the Company’s obligations and bear the risk of losses in connection with the Company’s activity to the extent of their shares’ value.

The Company is a legal entity which owns separate property entered in the Company’s independent balance sheet. The number of shareholders of the Company is not limited.

Countries in Which the Organization Conducts its Business

OJSC MMK runs its operations in the Russian Federation (Magnitogorsk, Belovo, Bakal, St. Petersburg and Moscow) and the Republic of Turkey (Istanbul, Iskenderun). The Company’s key suppliers are located in Russia and Kazakhstan. MMK sells its products to 70 countries worldwide. The key shipment destinations include CIS, the Middle East, Europe, and Asia.
## General Information on the Annual Report

### Date of Publication of the Latest Previous Report

The previous Annual Report of OJSC MMK was prepared based on 2010 results and approved by the Annual General Shareholders’ Meeting on 20 May 2011. OJSC MMK’s Annual Report 2010 is available for review at MMK’s web site [www.mmk.ru/for_investor/annual_reports/](http://www.mmk.ru/for_investor/annual_reports/).

### Procedure of Determining the Report’s Content


In preparing this Annual Report, OJSC MMK aimed at the fullest possible disclosure of information related to all aspects of its operations in 2011. The Report covers the Company’s various activities (production, business, financial, social and environmental) of interest to all parties concerned. The parties concerned were identified following a comprehensive analysis of the Company’s operations and the influence exerted by them on the social sphere and the environment.

As a result, top priority was assigned to the following subjects: production, financial performance, sales, related party transactions as well as the Company’s social and environmental activities. All facts and events influencing the Company’s ability to achieve its strategic goals were considered material.

### Scope of the Report

This Report has been prepared on the basis of the results of OJSC MMK’s operations, as presented in financial statements prepared according to Russian Accounting Standards for the 2011 financial year, and consolidated financial statements for MMK Group were prepared according to IFRS.

### Limitations Regarding the Scope of the Report

This Report provides a complete picture of MMK’s operations, and any further expansion of the Report is possible only in terms of increasing the number of performance indicators, should such interest be expressed by any of our stakeholders.

### Influence on the Comparability of the Report

This Report includes information on MMK Group’s operational results and is therefore comparable to the reports of OJSC MMK and the MMK Group for previous periods.

### Material Changes in the Report

This Report does not contain any material changes compared to the information provided in previous reports, or any changes in relation to previous periods in terms of the content, scope or measurement of OJSC MMK’s results.

Boris Dubrovsky, General Director, OJSC MMK

Marina Zhemchueva, Chief Accountant, OJSC MMK
NEW TECHNOLOGY, NEW POTENTIAL

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