<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter from the Chairman of the Board of Directors</td>
<td>7</td>
</tr>
<tr>
<td>Market and Pricing Trends</td>
<td>9</td>
</tr>
<tr>
<td>MMK’s Strategic Achievements</td>
<td>15</td>
</tr>
<tr>
<td>Market Overview</td>
<td>23</td>
</tr>
<tr>
<td>Core Technological Processes</td>
<td>27</td>
</tr>
<tr>
<td>Financial Results of MMK Group</td>
<td>33</td>
</tr>
<tr>
<td>Russian Steel Segment Results</td>
<td>39</td>
</tr>
<tr>
<td>Turkish Steel Segment Results</td>
<td>45</td>
</tr>
<tr>
<td>Coal Segment Results</td>
<td>49</td>
</tr>
<tr>
<td>Meeting MMK’s supply needs</td>
<td>57</td>
</tr>
<tr>
<td>Risk Management</td>
<td>61</td>
</tr>
<tr>
<td>Human resources</td>
<td>71</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>79</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>89</td>
</tr>
<tr>
<td>Information for shareholders and investors</td>
<td>104</td>
</tr>
</tbody>
</table>
Magnitogorsk Iron & Steel Works (MMK) is one of the world’s largest steel producers and a leading Russian metals company.

The company’s operations in Russia include a large steel-producing complex encompassing the entire production chain, from iron-ore processing to downstream production of rolled steel.

MMK’s output includes a broad range of steel products with a predominant share of high-value-added products.
MMK's Cold Rolling Mill 2000 produces the 5 millionth tonne of product since its launch.

In January 2015 MMK’s Hot Rolling Mill 2000 produces more than 526,000 tonnes of product, an absolute record for the entire 20-year history of the complex.

In January 2015 the company’s two polymer coating lines produced an all-time MMK record for monthly output – 36,500 tonnes of coated steel.

Technical upgrades to MMK’s blast furnace No 8 are completed.

MMK receives a letter of appreciation from the National Association of Internal Auditors and Controllers for the company’s active role in the development of the professional standards for the position of Internal Control Specialist.

MMK is the winner in the nomination “For Outstanding Social Responsibility” in the annual competition “Leaders of Russian Business: Dynamics and Responsibility – 2014” organised by the Russian Union of Industrialists and Entrepreneurs.

MMK is named a winner of the annual IT Leader Awards. MMK is among a select number of major Russian companies and organisations whose achievements in the implementation of significant and effective IT solutions in 2014 was recognised by the expert community and Runet users.

MMK is a laureate of the competition “100 Best Organisations of Russia. Ecology and Environmental Management – 2015.”

Chairman of MMK’s Board of Director MMK Viktor Rashnikov is presented with an award “For Special Merit” of the second degree by the All-Russia Society of the Deaf in recognition of his contribution to the organisation and hosting of ski events of the XVIII Winter Deaflympics at the Metallurg-Magnitogorsk Alpine Skiing Centre.

Magnitogorsk receives the honorary title of “City of Labour Valour and Glory” in recognition of the unparalleled feat of the city’s metalworkers during the years of the Great Patriotic War.

MMK launches a new turbo blowing machine (TBM-8) with a new turbine at its steam power plant.

For the second consecutive year MMK is a laureate of the international competition “Best Risk Management – 2015” for Best Comprehensive Risk Management Programme.

MMK’s ski resorts are recognised by the Sport Industry Leaders Awards. The Abzakovo Alpine Skiing Centre is acknowledged for Best Organisation of Amateur Sport Competitions and Most Effective Management of Sport Facility while the Metallurg-Magnitogorsk Alpine Skiing Centre is named Russia’s Best Alpine Skiing Resort.

MMK’s Hot Rolling Mill 2000 produces its 100 millionth tonne of steel.
**JULY**

MMK takes first place among Russian sheet metal producers in the ranking of leading producers and suppliers in H1 2015 compiled by Metal Supply and Sales Magazine.

Total output of MMK’s Hot Rolling Mill 5000 reached 5 million tonnes.

MMK was named the winner of the nomination category Personnel Development at the VII Industry Awards “Socially Effective Metals & Mining Enterprise.”

The blast furnace plant at MMK reaches production milestone of 600,000,000 tonnes of pig iron since the first furnace’s launch in 1932.

MMK completes its latest environmental safety project with the reconstruction of a coke gas cooling cycle system for its coke production.

In the run up to Steelworker’s Day, at MMK-METIZ Metalware & Sizing Plant (an MMK Group enterprise) two investment projects were completed with a combined cost of RUB 600 million. The new production complexes are intended to improve the plant’s competitiveness and increase sales. At the steel wire production complex of MMK-METIZ, a bell furnace is installed for the heat treatment of coils. A production complex for high-strength cold-worked rebar is also installed here.

At Magnitogorsk Casting Roller Plant two new induction furnaces with a capacity of four and six tonnes are commissioned.

At MMK’s sintering plant work is completed on the construction of the first system in the new sintering gases treatment complex of sulphur capture unit No 2.

MMK and SMS group (Germany) sign a supply contract for equipment for a new continuous galvanising line.

MMK’s long products plant passes the production milestone of 15 million tonnes of long products from the new long products mills.

Chairman of MMK’s Board of the Directors Viktor Rashnikov receives a memorial medal from the international Union of Hero Cities and Cities of Military Glory marking the 70th anniversary of victory in the Great Patriotic War.

**AUGUST**

MMK’s electric power station generates its 250 billionth kWh since the launch of the turbo generator of station No 2 of the Central Electric Power Station in October 1931.

The Russian Institute of Directors (Moscow) confirms its National Corporate Governance Score for MMK at Advanced Corporate Governance Practice.

In the Agency of Economic News’ rating of the information and public relations departments of Russian companies, MMK is ranked fourth behind just Gazprom, Russian Railways and Lukoil.

**SEPTEMBER**

MMK CEO Pavel Shilyaev is awarded with a medal commemorating the 70th anniversary of victory in the Great Patriotic War.
OCTOBER

MMK is named a winner of the International Collaboration Excellence 2015 (ICE 2015) award for outstanding achievement in international cooperation and internationalisation of business and society.

Sergey Denisov, Doctor of Technical Sciences and Head of the Central Laboratory at MMK, was awarded the Prize of the Government of the Russian Federation in Science and Engineering for 2015. The prize was awarded for the creation and implementation of a resource-saving technology for the production of highly effective, lightly alloyed, high-tensile steel with heightened resistance to cold and reliable for pit mining transport and mechanical mining operations.

NOVEMBER

MMK’s oxygen converter shop turns 25 years old.

In the unified international economic rating “Exporter of the Year” and “Importer of the Year” for 2013-2014, MMK takes three first-place rankings and two second-place rankings in various key trade categories.

MMK and MMK-METIZ Metalware and Sizing Plant are named laureates of the international industrial exhibition Metal-Expo 2015.

DECEMBER

MMK’s Deputy CEO for Commercial Affairs Sergei Ushakov receives a special award of the Leader in Competitive Procurement 2015 Prize for the Development and Optimisation of Procurement Operations.

MMK becomes a laureate of the import substitution award “Priority – 2015” in the metal production category. The award organisers noted MMK’s substantial contribution to the creation of competitive metal products and successful work toward the substitution of imports on the domestic market.

The Magnitogorsk Municipal Charitable Fund “Metallurg” is awarded a special diploma by the Organisational Committee of the VI Congress of Non-Commercial Organisations of Russia for the fund’s implementation of social and medical programmes aimed at improving the quality of life of residents of the city of Magnitogorsk and rural districts of the Chelyabinsk Region.

The Russian Agency for Information Society Development expresses its gratitude to Chairman of the Board of Directors of MMK Viktor Rashnikov for his contribution to the development of civil society.

Moody’s Investors Service upgrades MMK’s corporate family rating (CFR) to Ba2 from Ba3 and probability of default rating (PDR) to Ba2-PD from Ba3-PD. The outlook on the ratings is positive.

MMK produces 5.935 million tonnes of metal at its Hot Rolling Mill 2000 in 2015 – setting an all-time record for annual output for the second year in a row.

MMK’s Mill 5000 establishes a new output record of 953,300 tonnes of finished products in 2015.
IMPORTANT EVENTS OF 2015

Despite the challenging market conditions, in 2015 our company achieved impressive results. MMK Group’s EBITDA margin for 2015 reached 28.6%, our best performance by this indicator since 2007. Free cash flow also rose to a historical maximum and exceeded USD 1 billion. In 2015 MMK Group’s Net Debt/EBITDA ratio was 0.67x, which represents our lowest level of debt since 2008.

Nonetheless, the changing economic situation in the country and in the world impacted our production numbers. MMK’s overall crude steel output in 2015 amounted to 12.2 million tonnes, which is 6.1% less than in 2014. A decline in demand for metal products also affected overall steelmaking capacity utilisation, which at the main Magnitogorsk site in 2015 was approximately 84%. MMK Group’s overall finished steel products shipments in 2015 (excluding intra-group sales) totalled 11.2 thousand tonnes, down 8.0% from 2014.

We were able to follow through on much of what was planned for 2015, which allowed us to strengthen the position of our holding on the domestic market for metal products. The technical upgrades to blast furnace No 8 have been completed. Now our blast furnace plant is one of the largest and most effective in the country. During the reconstruction of blast furnaces much attention is given to environmental considerations. In particular, thanks to the installation of modern aspiration systems, atmospheric emissions have been greatly reduced.

It is difficult to overstate the importance of two major investment projects implemented by our company in recent years – the Thick Plate Mill 5000 and Cold Rolling Mill 2000. In 2015 Mill 5000 set a new output record for finished products – 953,300 tonnes. This is the most outstanding achievement of the past five years. In July 2015 Mill 5000 surpassed the production milestone of 5 million tonnes of finished metal products. Today the products of Mill 5000 are delivered to leading Russian pipe makers for the major pipeline projects of Gazprom, Transneft, Rosneft, Lukoil and others as well as major shipbuilding companies, including United Shipbuilding Corporation.

As a part of our programme to secure acceptance of MMK’s automotive sheet metal, in 2015 a project targeting foreign carmakers in Russia was implemented. During the course of the project’s implementation, all stages of acceptance by the automotive manufacturers were passed – from the approval of sample sheets to the delivery of pilot batches and then production lots. Through this project MMK has mastered the production of more than 50 different steel grades according to European standards. Thanks to its technological specifications, Mill 2000 is able to meet the most rigorous requirements for surface quality of cold-rolled and hot-dip-galvanised steel. Our company intends to actively pursue supplier status with international carmakers which have located their production facilities in Russia.

MARKET TRENDS AND EXTERNAL CHALLENGES

In 2015, for the first time in the past six years, global steel production decreased. According to WSA, this decline was 2.8% (down to 1.6 billion tonnes), in contrast to 2014, when steel production worldwide rose 1.2%. The world leader in steel production is China, but even there in 2015 a year-on-year decline of 2.3% was observed. Russian steel production in 2015 contracted by 0.5% to 71.1 million tonnes. Our investment strategy put into practice in recent years has been aimed at creating production capacities which would ultimately allow Russian businesses to assume the production of new types of products.

In 2015 we mastered new grades of steel and did everything possible to ensure that our products corresponded to the expectations of our customers. It was not by chance that in 2015 MMK was recognised as a winner of the import substitution prize “Priority 2015” in the metal production category. The organisers noted MMK’s substantial contribution to the creation of competitive metal products and successful efforts toward the substitution of imports on the domestic market.

CURRENT OBJECTIVES AND STRATEGIC INITIATIVES

The objectives set out for 2015 were part of our long-term strategic program, which is undergoing refinement in the details but on the whole remains unchanged. Year in and year out our company is upgrading its metal production technology, improving its engagement of distributors and end user of our products, optimising operational expenses and decreasing our environmental impact.
One of our ambitions in recent years is to become the leader in flat-rolled and coated products. The high marks of experts, top ratings and, most importantly, continued demand for our products indicate that we have successfully accomplished this. In 2015 the development of production capacity focused on high-return, high-value-added metal products continued, as the share of HVA products increased by 1.6 percentage points year-on-year and amounted to 46.7% of MMK Group’s total output volume. In 2015 our shipments of rolled steel to international carmakers localising their production in Russia grew four-fold. For the second consecutive year MMK increased its deliveries to shipbuilding companies. In 2015 MMK delivered 86,000 tonnes of metal products to enterprises in the shipbuilding industry, which represents an increase of 11% from the previous year.

In 2015 MMK Group placed a strong emphasis on increasing the effectiveness of internal business processes. The execution of a programme focused on this objective made it possible to reduce operating expenses by USD 135 million. As a result of the implementation of a comprehensive set of measures MMK’s cost of production decreased by nearly 3%. This includes improvement in energy efficiency as well as stimulation of technological innovation and rational use of resources. Thanks to the implementation of energy-saving measures through low-cost but highly effective investment projects, fuel and energy costs decreased by USD 30 million. The effective introduction of new technological processes decreased spending on raw materials and supplies by USD 50 million. Measures to improve organisation and technical processes further decreased spending on repairs and equipment maintenance by USD 19 million. Another USD 36 million was saved thanks to optimisation of administrative expenses.

Among the key focus points of our work worth noting are the new approaches to lean manufacturing and labour safety. In order to address the problem of workplace injuries, last year we launched a programme called Safety 24/7. This means that around the clock, seven days a week for both the workers of MMK Group and our leadership safety issues must be a top priority. At our company we have MMK Group’s Principles of Occupational Health, Industrial Safety and Environmental Protection, a guideline for all workers across of our operations, as well as the Manager’s Code of Safe Practices. These documents describe in detail all the responsibilities of each employee. In 2015 we paid particular attention to the development of innovation and labour-saving systems, encouraging all employees to become engaged in finding creative solutions. The economic impact of the productivity-boosting ideas implemented in 2015 totalled RUB 470 million, which was 87% more than in 2014.

In 2015 the Board of Directors approved a long-term development plan for MMK Group through 2025. Over the next ten years the top priorities for MMK will be increasing engagement with customers and improving the operational and functional efficiency of our business. Particular attention will be place on further enhancing the company’s sustainability through improved industrial safety, development of personnel and strengthening of partnerships. In order to achieve these strategic development goals, we have developed a corresponding portfolio of strategic initiatives which provides a roadmap of top-priority objectives and specific measures for implementation. The capital investment programme calls for support of key assets with a focus on upgrading primary processing capacities, which will over time allow for a decrease in production costs while improving product quality.

For many years now MMK has rightfully been considered not only the formative enterprise of our city but also a socially responsible organisation which readily accepts its social obligations to its workers, partners and the community. Corporate social responsibility is an important principle of MMK’s work. Our company’s engagement of social issues is systemic and aimed at the creation of effective and safe jobs, the professional development of our employees, protection of the environment, and support for education, medicine, culture and sport.

I thank all employees of MMK for their hard work, for their commitment to their profession and to our company. I also express my appreciation to all our partners for their fruitful cooperation, reliability and constructive engagement. I am confident that 2016 will be a year of new and interesting projects and full of milestone achievements.

Victor Rashnikov
Chairman of the Board of Directors,
OJSC Magnitogorsk Iron and Steel Works
MARKET AND PRICING TRENDS

DEMAND FOR METAL PRODUCTS

In 2015 the apparent use of metal products declined by 1.3% to 1520.3 million tonnes. Among the major players, negative trends were observed in the following countries and regions: China (-3% y-o-y), CIS (-11%) and NAFTA (-3%). Sustained growth in demand for steel was seen in the Middle East, where the market volume increased by 4% y-o-y. Growth was also seen in Africa (3%) and the EU (1%).

PRICES ON THE INTERNATIONAL MARKET

With a low level of capacity utilisation and imbalance in supply and demand, 2015 saw a decline in steel prices on world markets that was unprecedented in its depth and longevity compared to recent years.

Chinese steelmakers were catalyst for the decline in prices, as they responded to the decline in domestic demand by increasing exports of their metal products by 20% y-o-y to a record 112 million tonnes. This delivered a blow to practically all regional metal markets, particularly the emerging markets of Southeast Asia.

According to Platts, the price on hot-rolled coils dropped by 32% over the course of 2015. Significant downward pressure on the price of hot-rolled coils in all regions worldwide came from the 39% decline in export prices during the year for products coming out of China.

Hot-rolled coils from the CIS saw a 41% decline in value as a result of the global trend toward lower steel prices and influx of Chinese products onto traditional export markets for the CIS.

INTERNATIONAL IRON & STEEL TRADE

According to the preliminary data of the World Steel Association (for 10 months), the volume of international trade of steel and semi-finished steel products in 2015 increased by 5.2% y-o-y. This trends led to an increase in protectionist positions in practically all major metal markets around the world. Antidumping investigations were initiated in countries of NAFTA, the EU, Middle East and Southeast Asia as well as in India. In most case the investigations focused on metal products of China and Russia, and the largest tariffs were introduced against these two countries – the largest exporters of metal products.
PIPE INDUSTRY

According to Metal Courier, 8.1 million tonnes of welded pipe were produced in Russia in 2015, 1.3% less than in 2014 (8.2 million tonnes). The main driver of metal demand in the pipe industry is the production of large diameter pipes (LDP), where demand amounted to 3.4 million tonnes, up 0.5 million tonnes or 17.7% from 2014 (2.9 million tonnes). This growth in production can be attributed to major natural gas and oil pipeline projects, such as the Power of Siberia pipeline, Bovanenkovo-Ukhta-Torzhok pipeline, Sakhalin-Khabarovsk-Vладивосток pipeline and others.

AUTOMOTIVE MANUFACTURING

According to the Russian Statistics Service (Rosstat), 1.37 million automobiles (transport vehicles, passenger cars and buses) were manufactured in the country in 2015, which was 27.5% less than in 2014. In 2015 metal shipments to the main Russian automotive manufacturers, according to preliminary data, amounted to approximately 0.9 million tonnes, which was 23% less than in 2014 (1.16 million tonnes). The decrease in metal consumption can be attributed to the decline in car production, which in turn was caused by the rouble’s devaluation and weakening of consumer buying power.

RAILROAD MACHINERY

According to Rosstat, 30,000 mainline rail cars were manufactured in 2015, which is 45.6% less than in 2014. In 2015 metal shipments to Russia’s major railcar manufacturers, according to preliminary estimates, amounted to 0.43 million tonnes, which is half of the total for 2014 (0.86 million tonnes). The decline in demand for metal was a result of the drop in production of railcars due to the surplus of gondola cars in Russia and the continued use of antiquated railcars.

SHIPBUILDING

According to railroad shipment statistics, in 2015 thanks to growth in shipbuilding orders in Russia the volume of deliveries of thick-plate steel to Russian shipbuilding enterprises reached 114,800 tonnes, which is 23.8% more than in 2014. Growth in demand for thick-plate hot-rolled steel from shipbuilders and ship maintenance companies can be attributed to the production of nuclear-powered icebreakers as a part of the programme of Rosatom and Gazpromneft to rebuild Russia’s icebreaker fleet.
CONSTRUCTION INDUSTRY

According to Rosstat, in 2015 83.8 million square meters of residential space was built in Russia, which is 0.5% less than in the previous year (84.2 million square meters). The commissioning of non-residential premises in 2015 declined by 14% (relative to 2014) and amounted to 29.4 million square meters. Despite the worsening economic situation, residential construction remains the main consumer of steel in Russia. This demand is supported by the following underlying factors:

- a relatively low level of residential space per capita compared to Europe and even China;
- the existence of a substantial volume of dilapidated housing;
- major government social programmes – “Russian Family Housing”, “Stimulus”, “Provision of Affordable and Comfortable Housing and Residential Services for Citizens of the Russian Federation”;
- infrastructure projects (development of high-speed rail corridors, construction of highways and bridges, etc.).

PRICE DYNAMICS

Considering the substantial decline in imports of metal products to Russia, including due to the sharp and hard-to-predict fluctuations in exchange rates, Russian steelmakers increase their share as suppliers of metal products to domestic customers. In turn, this allowed metal prices to remain at a rather stable level compared to international market prices.

According to Platts, prices on hot-rolled steel in Russia slid 24% in 2015, which was significantly less than the decrease in prices on the international market.

Through investment in modernisation of production capacities in previous years, Russian steelmakers were able to maintain a price premium on the domestic market for flat-rolled products relative to their export parity price thanks to production quality and an increase in the share of HVA products.

The price factor and the low costs compared to world steelmakers allowed Russian metal producers to demonstrate good financial results, bucking the general trend of lower profitability for steelmakers worldwide.
RAW MATERIALS

The improved competitiveness of Russian steelmakers in 2015 can to a large degree be attributed to the decrease in expenses stemming from lower prices on raw materials and the serious devaluation of the rouble (the average exchange rate in 2015 was RUB 61/USD 1 while in 2014 it was RUB 38.5/USD 1) which impacted fixed costs.

The prolonged decline in world prices for raw materials used in metal production continued throughout all of 2015 and as a result prices fell below the lowest levels seen in the crisis of 2008-2009. Price indices for iron ore and coking coal dropped by more than 50% during the course of the year (the decline in annual average prices from 2014 to 2015 was 30-40%).

The main reason for the decrease in the prices for integrated metal producers was the growing surplus of resources, as projects planned earlier by major mining companies worldwide continued to increase the volume of available resources. This occurred simultaneously with the slowing of demand and steel production growth in China (strengthening a long-term trend linked to the shift of priorities as China moves from an investment-driven economy to a consumer-driven economy).

PRICE CORRIDOR DYNAMICS CALCULATED AS THE DIFFERENCE BETWEEN THE SALE PRICE OF MMK’S HOT-ROLLED COILS ON THE RUSSIAN MARKET AND THE COST OF MMK’S RAW MATERIALS BASKET

In 2015 Russian steelmakers had some additional advantages as well arising from the decrease in the export of raw materials from Russia to China, and they were able slow the effect of the devaluation on the rouble prices for raw materials.
In 2015 the average cost of producing hot-rolled steel reached the lowest level seen in the past eight years.

The largest contribution to the decrease in cost of production for hot-rolled steel worldwide was the lower cost of iron ore and metal charge.

In 2015 the cost of production of hot-rolled steel decreased by 19% y-o-y. The rate of decline in the cost of production for MMK in 2015 matched the global trend.
MMK’S STRATEGIC ACHIEVEMENTS
The situation in the steel industry can be characterised as one of a surplus supply of metal products in key markets, excess capacity and, consequently, heightened competition. The economic situation on the whole worldwide and in Russia in particular as well as geopolitical instability are having a significant impact on the steel industry.

While facing a number of negative factors, MMK Group successfully adhered to its strategy of organic growth that focuses on continuous improvement of operational efficiency, cutting costs, lowering risks and bolstering business sustainability.

ACHIEVEMENTS OF MMK GROUP OVER THE PAST DECADE

- **Organic Growth**
  - Launch of Thick Plate Mill 5000
  - Launch of Cold Rolling Mill 2000
  - Launch of galvanising line at Strip Rolling Plant No 11

- **Development of Domestic Markets**
  - Doubling of shipments to Russian market
  - Sales diversification across sectors and customers

- **Boosting Presence in Key Market Segments**
  - 2.4-fold growth in sales to pipe producers
  - 2.6-fold growth in sales to construction industry

- **Reliable Supply of Resources**
  - Full control over scrap metal supplies
  - Stable coal concentrate supplies from own resources
  - Maximal use of own iron ore

- **Reduction of Debt Load**
  - Debt/EBITDA ratio lowered to 0.67
  - Optimal level of capital investment
  - High level of liquidity guaranteed in event of crisis
INVESTMENT IN STEEL-SMELTING CAPACITY

Comprehensive upgrade of capacity:
- Complete transition to continuous casting
- Launch of modern electric furnaces in place of open-hearth furnaces
- Launch of comprehensive secondary steel treatment

INVESTMENT IN ROLLING CAPACITY

Modern mills have been installed and utilised to full capacity:
- Thick Plate Mill 5000
- Cold Rolling Mill 2000
- Four hot-dip galvanising lines
- Two polymer coating lines
- Three long product mills (170, 370, and 450)

SALES STRUCTURE FOR MMK PRODUCTS

<table>
<thead>
<tr>
<th>Year</th>
<th>HVA products</th>
<th>Cold-rolled products</th>
<th>Mill 5000 products</th>
<th>Long products</th>
<th>Hot-rolled products</th>
<th>Semi-finished products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>8.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>10.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>10.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>11.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

HVA 4.1
MMK Group increased shipments to the domestic market, in part by expanding its output of premium products, including deliveries to key sectors.

**MMK INCREASES SHIPMENTS TO THE DOMESTIC MARKET TO 77%...**

...while increasing sales of HVA products.

**SALES TO PIPE PRODUCERS INCREASE BY 2.4-FOLD**

**SALES TO CONSTRUCTION INDUSTRY INCREASE BY 2.6-FOLD**

MMK Group significantly increased its resource self-sufficiency.

**LEVEL OF SELF-SUFFICIENCY IN 2007, %**

**LEVEL OF SELF-SUFFICIENCY IN 2015, %**

Debt burden was substantially reduced while liquidity was increased.

**MMK’S CONSERVATIVE FINANCIAL POLICY ACHIEVES RESULTS:**

- Net Debt/EBITDA ratio is less than 2
- Capital outlays do not exceed EBITDA
- Capex programme is revisited twice a year to ensure control and allow for adjustments
- Liquidity is maintained at a level to ensure that 3 months’ worth of reserves are always available
VISION

MMK Group is a highly efficient Russian metal producer adhering to the best practices for occupational health and environmental safety, and ensuring the retention of professional, proactive and motivated personnel focused on meeting the needs of customers on the Russian market.

MISSION OF MMK GROUP

To be a reliable supplier of high-quality metal products, satisfying the needs of Russian customers with the aim of developing the company into a world leader in terms of efficiency, to generate value for shareholders and to improve the quality of life of our employees and the people in the communities where our assets are located.

STRATEGIC AIM

To be a leader among the world’s top steelmakers in terms of both production volume and total returns for shareholders.

STRATEGY OF MMK GROUP

PRIORITY FOCUS AREAS

1. Strengthening of positions on top-priority markets
2. Improving operational and functional efficiency
3. Increasing investment appeal
4. Safe production
5. Development of professional personnel
6. Social strategy
CREATION OF VALUE FOR SHAREHOLDERS

Over the next ten years the top priorities of the company will be strengthening relationships with customers, improving operational and functional efficiency and increasing investment appeal.

1. We set for ourselves the objective of strengthening our positions on priority markets through de-commoditisation – a transition from production of mass-market products to the delivery of high-value-added products through the commercialisation of our modern rolling capacity as well as through improved efficiency in the operations of our distribution network.

Despite the challenging economic and political situation, weakening of the rouble and lower demand on the domestic market, our continued focus on the domestic customers remains strategically important for MMK. We shipped to our top-priority Russian market 7.4 million tonnes of metal products, retaining our positions on our “home” market: the share of shipments to the Ural and Volga regions was 71%.

The strengthening of our position on this market has been facilitated in part by the development of the distribution network of Torgovy Dom MMK. In 2015 the share of TD MMK on the Russian metal warehousing market increased to 6.2%, with 65.1% of sales made directly to end users.

In 2015 the level of customer satisfaction in the products and services provided by MMK increased (U=0.904 in 2015 compared to U=0.874 in 2014). In pursuit of our goal of strengthening our positions on the Russian market, we continue to improve customer service and will add a flexible pricing policy to ensure that the price-quality relationship of MMK’s steel products is the best fit for our customers’ needs.

2. Improved operational and functional efficiency. Maintaining and strengthening our positions as a low-cost producer is one of the key objectives of our company. Cost cutting, including through improved efficiency, remains a top priority. In addition to implementing major investment projects aimed at achieving this, we are also utilising three instruments:

- innovation – broad engagement of personnel to enact labour-saving initiatives;
- low-cost, high-impact projects (investment up to 100 million roubles with a recoupment period of no longer than 2 years);
- energy-service agreements.

In 2015 we put into action 1477 innovative ideas, implemented 16 low-cost projects to boost efficiency and signed three energy-service agreements with GPB EnergoEffect.

The execution of these measures to lower operational expenses allowed us to achieve the following results in 2015:

- slab cash-cost — USD 208/t (compared to USD 303/t in 2014);
- recycling of waste products containing iron — 1.9 million tonnes (11% of total iron-ore consumption);
- percentage of recycling of coke oven gas: 99.1%; blast furnace gas: 99.0%;
- self-sufficiency in electricity: 73.3%.

MMK’s programme to reduce production, sales and capital construction costs for 2015 generated cost savings totalling RUB 5,926.6 million.

Our long-term investment programme includes major projects for modernisation of sintering, coking and blast furnace production capacity. The implementation of these measures will result in a substantial decrease in the environmental impact of our operations.

3. We did a substantial amount of work in 2015 to improve the investment case for MMK:

- continued the company’s financial recovery plan, lowered the debt burden, reducing the debt/EBITDA ratio to 1.11 (from 1.61 in 2014);
- confirmed our National Corporate Governance Score at 8 – Advanced Corporate Governance Practice;
- MMK’s EGSM approved the pay-out of dividends at RUB 0.58 per share based on the company’s performance in H1 2015;
- we worked to have MMK shares elevated to the first-tier quotation list from the second-tier list, and since 31 August 2015 MMK shares have traded in the top tier;
• the measures stipulated in the Corporate Governance Improvement Programme for 2015 were successfully implemented;

• for the second time we were laureates of the competition “Best Risk Management – 2015” for Best Comprehensive Risk Management Program;

• as a part of efforts to development a comprehensive risk management system, the Board of Directors of MMK approved the revised Risk Management Policy.

Going forward we plan to implement a balanced financial policy while continuing to work on improving corporate management and dividend policy as well as on the adoption risk-oriented principles for decision-making in business processes at all levels.
We are paying great attention to further bolstering our sustainability through improved industrial safety, development of personnel, strengthening of partnerships in the region and decreasing environmental impact.

4. **Industrial safety** is a top priority of our company. Much attention is focused on improving our systems for industrial safety and occupational health and the formation of a conscientious and unwavering stance against violations among our employees.

We strive to achieve leading positions among Russian companies in terms of labour safety. The key factors driving our success here are:

- 100% engagement of personnel;
- The personal example and personal responsibility of managers;
- Employee awareness and training initiatives, competency development;
- Intolerance of labour safety violations at all levels.

5. **Development of professional personnel** has been and remains one of the top priorities of our company. We understand that our people are a vitally important resource and the guarantee of our competitiveness over the long term.

The implementation of our human resources policy and systemic work with personnel has helped boost productivity and improved the level of professionalism of our workers. In 2015 labour productivity increased 1.6% y-o-y and reached 62.7 conditional tonnes per employee.

We continue to implement MMK’s corporate social responsibility program. In 2015 the social benefits package for each worker amounted to RUB 34,761.

6. **Clean city.** We strive to minimise MMK’s environmental impact. The Environmental Management System (EMS), certified under ISO 14001 by specialists from the international certifying body TUV NORD CERT GmbH (Germany), has been efficiently implemented at MMK since 2004.

In October 2015, specialists from TUV NORD CERT conducted a supervisory audit of the EMS, which confirmed that MMK’s environmental management system meets the requirements of ISO 14001.

We aim to reduce any negative impact our operations on the environment and strive to achieve a Comprehensive Air Pollution Index (CAPI) score of less than 5, which indicates a low level of atmospheric pollution.

In 2015 we spent RUB 2,289.4 million on the development of environmental protection projects.

Thanks to the implementation of our Environmental Programmes we achieved:

- a decrease in specific emissions of air pollutants by 0.8%;
- a decrease in the discharge of pollutants into wastewater by 9.3%;
- an increased of recycling of tailings and slag to 9.8 million tonnes.
MARKET OVERVIEW
MMK is among the 30 largest steel producers in the world. Among Russian steelmakers MMK has occupied its own niche and has regularly been a top-3 producer in recent years, maintaining a market share of 17–18%.

**STRUCTURE OF RUSSIAN STEEL PRODUCTION IN 2015**

Russia ended 2015 in a challenging position created by a combination of negative internal and external factors: instability in the global economy, pressures from Western sanctions, decline in energy prices, weakening of the rouble and slower economic growth. All of these things were factors driving down demand for metal products.

According to the Metal Expert News Agency, in 2015 apparent use of metal products in Russia declined by 8.9% compared to 2014. The drop in metal consumption on the Russian market led to a reduction in metal import volumes, which fell 27.3% and accounted for 9.7% of the market.

**MARKET SHARE OF MMK AND IMPORTS ON RUSSIAN MARKET***

A substantial decline in import volumes was for long products (-43%).

Among HVA products, import volumes declined for polymer-coated (-31%), galvanised (-21%) and cold-rolled (-12%) products.
MMK is well positioned to effectively operate with a high level of profitability thanks to its advantageous geographical location on the Russian market and wide assortment of products, including high-margin steel products. In 2015 MMK had an 18% share of steel shipments to metal consumers on the Russian market.
CUSTOMER SATISFACTION

MMK strives to be a strategic supplier of metal products for the major industrial consumers on the domestic market. The key customers of MMK’s products on the Russian market are traditionally pipeline producers, machinery and automotive plants, and construction industry enterprises. Many key customers have signed long-term strategic partnership agreements.

The establishment of coordination councils with key customers makes it possible to reach an understanding on technical issues, prepare joint programmes for developing and assimilating promising steel grades and products size assortments as well as initiating programmes for improving the quality of products delivered.

In order to achieve high levels of customer satisfaction, MMK is developing a programme of corrective measures aimed at responding to critical feedback received through the surveys as well as to follow up on suggestions for improving product quality and cooperation with customers.

MMK places a strong emphasis on developing customer relations. For this reason, continuous and ongoing efforts are made at our facilities to improve customer satisfaction with regard to both product quality and the level of service.

Every year MMK surveys automotive manufacturers and pipe producers, subsidiaries of Gazprom and other organisations. The results of the customer satisfaction surveys in 2014 and 2015 were as follows:

MMK CUSTOMER SATISFACTION 2014-2015

The customer satisfaction surveys show an annual increase in satisfaction with the quality of product delivered and customer service provided by MMK. The survey is also helpful in identifying which customers express a lower level of satisfaction with product and service quality.

In order to develop long-term partnerships with customers, each year MMK develops a programme for expanding into new and innovative types of products. This presents an additional opportunity to increase product assortment and increase the customer satisfaction.

Moreover, for the purpose of improving cooperation with customers in the automotive industry, in 2015 a programme for the acceptance of MMK metal products was approved and implemented, which helped us to increase the level of customer satisfaction among carmakers to 0.966.
CORE TECHNOLOGICAL PROCESSES
The core value creation chain of MMK Group is situated at Magnitogorsk Iron & Steel Works (MMK), a major steel-producing complex encompassing the entire production chain, from preparation of iron ore to downstream processing of rolled steel. MMK turns out a broad range of steel products with a predominant share of high-value-added products. Our company has always placed a strong emphasis on the implementation of programmes for technical upgrading, reconstruction and modernisation of production capacity. The top priority has been rolled steel, as development of this production capacity best matches the chosen strategy to focus on advanced downstream processing and HVA products. As a part of this strategy, a long-term investment programme was adopted that calls for modernisation of rolling capacity as well as reconstruction of steelmaking capacity – the replacement of the remaining open-hearth furnaces with electric-arc furnaces.

THE TECHNICAL MODERNISATION PROGRAMME IMPLEMENTED OVER THE PAST DECADE HAS INCLUDED THE FOLLOWING KEY PHASES:

- Reconstruction of cold-rolling production at Rolling Mill No 5, including the commissioning of the Cold-Rolling Mill 1700 with an output capacity of 800,000 tonnes per year (2002) and reconstruction of the heat-treating and pickling departments (2003-2004).
- Wide-scale reconstruction of melting capacity with a transition to continuous casting and replacement of open-hearth furnaces with electric arc furnaces (2004-2006).
- Complete reconstruction of long product rolling capacity with the replacement of old mills with state-of-the-art high-production units (2005-2006).
- Reconstruction of Hot-Rolling Mill 2000 at Rolling Mill 10, including construction of the 4th heat-treating furnace and modernisation of machinery and the mill’s automated process control system.
- Creation of modern thick-plate production capacity, including the launch of Mill 5000, Continuous Casting Machine 6 and the secondary steel refining complex at the oxygen-converter plant (2009-2010).

At present MMK is in the process of completely rebuilding its Hot-Rolling Mill 2500 at Rolling Mill 4 in Magnitogorsk.
ORE MINING AND PROCESSING

The main technological process here is the sintering of prepared raw materials, including iron ore concentrate, iron flux or crushed limestone. The final product, called sinter, is used as the key raw material in blast furnaces. Sinter production comprises three sinter plants (13 sintering machines with a total sinter production area of about 940 m²).

Iron ore supplies are delivered to the sintering mix processing plant, where it is received, stored, homogenised and then delivered according to the weekly schedule to the concentrate storage site of the sintering plant, where the raw materials are again homogenised. Next, the charge is taken to the bedding plants of sinter shops No 2, No 3 and No 4, where it is dosed with the appropriate proportions of fluxing stone, nut coke and return fines and transported to the bunker of the sintering units, from which the sintering mix is placed on the pallet cars, ignited and stoked with air through the batch layer leading to the formation of the sinter.

COKE AND CHEMICAL BY-PRODUCT PRODUCTION

MMK’s coke production facility is the largest in Russia in terms of capacity and actual production volume. This technologically integrated coke production complex includes a coal preparation plant, three coke plants, two by-product recovery plants, a chemical by-product processing plant and a number of maintenance shops.

The coal preparation plant receives, stores and prepares the coal for coking and also supplies the coke charge to the coke
oven batteries. The coal preparation plant can produce up to 23,000 tonnes of coal charge per day. The plant has an open coal storage section and two coal preparation shops.

Coke is produced in nine coke oven batteries that have a maximum annual output of 5.8 million tonnes of 6% moisture coke. Ninety-two per cent of the coke produced covers the requirements of the blast furnace plant, while 8% is supplied to companies in the non-ferrous-metals, chemical and machinery industries.

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

**BLAST FURNACE PRODUCTION**

At present more than 54% of world steel output is generated using the traditional method: in blast furnaces and converters. It is reasonable to assume that blast furnace production will for the near future continue to serve as the main production method of pig iron for steelmaking.

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

The process centres around the burning of coke with the help of tuyeres, via which air heated up to 1150 degrees Celsius is injected. The combustion of the coke produces hot CO gas, and a reducing environment is created in the blast furnace. The injection of oxygen-enriched air as well as natural gas makes it possible to accelerate the furnace heating process while lowering coke usage thanks to the addition of natural gas. The level of heat in the furnace is kept constant and ensures high-intensity smelting of pig iron consistent in composition and with little fluctuation in chemical makeup while keeping coke use to a minimum.

Each furnace is tapped approximately 15 times a day. The hot metal is poured into ladle cars and mixers and transferred to the oxygen-converter plant and electric arc furnace plant for steel production, while the slag generated is poured into slag cars and sent to the slag processing unit.

**STEEL PRODUCTION DIVISION**

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

**OXYGEN-CONVERTER PLANT**

Hot metal is delivered to the oxygen-converter plant in transfer ladle cars and then poured into slag cars and taken to the converters. In addition to pig iron, the charging material also includes scrap metal. The plant’s equipment includes:

- a desulphurisation unit for hot-metal desulphurisation in the pouring ladle;
- three oxygen converters with a capacity of 370 tonnes each equipped with an automated process control system, pouring measurement units and twin oxygen-injection units;
- three secondary metallurgy units for treating the steel in the pouring ladle;
- a combined vacuum treatment plant;
- a twin-ladle furnace by Fuchs;
- a twin unit for arc heating of steel in the pouring ladle;
- two 2-4-strand and two 4-strand slab radial-curved CCMS;
- one 1-strand CCM No 6 for pouring billets for Mill 5000.

**EAF PLANT**

The electrical arc furnace plant comprises three steel-melting units – two electric arc furnaces and one twin-bath steel-melting unit – two continuous billet CCMS and one continuous slab CCM, two ladle furnaces, a steel refining unit and a steel homogenisation blowing unit. The production capacity of the EAF Shop is around 4.3 million tonnes of crude steel per year. The EAF by VAI Fuchs are state-of-the-art units with a nominal heating size of 180 tonnes, the same as twin-bath steel-melting unit. The charge materials for all steel-melting furnaces are molten iron, scrap metal, ferroalloys and, as supplemental materials, lime, carbon-bearing materials and more.
ROLLING DIVISION

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

The hot-rolling plants include the mills 4500, 2350 and 5000, which are part of the unified thick-plate production complex, Rolling Mill No 4 and Rolling Mill No 10.

PRODUCTION OF THICK-PLATE STEEL

HOT-ROLLING MILL 2350 produces sheet-by-sheet slabs with a weight of up to 4.5 tonnes, thickness of 10.0-30.0 mm and width of up to 2000 mm. If the sheets require annealing, the plant also has a roller-hearth furnace.

HOT-ROLLING MILL 4500 produces sheet-by-sheet slabs 30.0-160.0 mm thick and up to 2,500 mm wide. The mill is equipped with 7 reheating chamber furnaces with removable hearths and a twin-stand reversing mill with water descaling. Side shearing and custom length cuts are made by special machines using the flame-cutting method.

THICK-PLATE MILL 5000 produces high-margin thick-plate steel up to 4850 mm for the oil & gas industry, shipbuilding, bridge construction and machinery construction. The products of this mill are in high demand among manufacturers of large diameter pipes.

ROLLING MILL NO 4 consists of a continuous 2,500-mm-wide strip hot-rolling mill and three cut-to-length lines.

ROLLING MILL NO 10 consists of a 2,000-mm-wide strip continuous hot-rolling mill. The mill includes three reheating walking-beam furnaces, roughing train, intermediate table, finishing train and clean-up line.

Cold-rolling mills include the coated metal products plant and rolling mills No 5, No 8 and No 11.

COATED METAL FACILITY – SOUTHERN BLOCK consists of one five-stand 1200 mm cold-rolling mill for production of tinplate, galvanised sheets and cold-rolled steel; one three-stand 1450 mm cold-rolling mill for production of galvanised sheets and cold-rolled sheets; two 1200 mm skin-pass mills for tinplate and cold-rolled sheets; one continuous annealing unit for the electrochemical degreasing of strips prior to recrystallisation in the continuous annealing furnace; three electrolytic degreasing units for the electrolytic (EDU-1 and EDU-2) and chemical (EDU-3) cleaning of strips ahead of anneal in bell-type annealing furnaces; two cut-to-length units; one slitting unit; one strip preparation unit and one continuous hot-dip galvanising unit.

COATED METAL FACILITY – NORTHERN BLOCK produces hot-dip galvanised sheets and coils and electroplated tinplate. This facility comprises a strip preparation unit, electrolyte plating unit, two cut-to-length units, two continuous hot galvanising units, a cut-to-length unit for galvanised and polymer coated sheets and two polymer coating units. The input product for the continuous hot galvanising units is cold-rolled coils from the two-stand
reversing mill of Rolling Milling No 5. The steel is galvanised by dipping in a molten zinc bath.

ROLLING MILL NO 5 is dedicated to the production of cold-rolled sheets for the automotive industry, sheets for production of galvanised steel and tinplate as well as enamelled and general use products in coils and sheets. Rolling Mill No 5 has four sections: pickling, rolling, heat-treatment and finishing.

THE ROLLING SECTION includes a four-stand cold-rolling Mill 2500; two-stand reversing cold-rolling mill by SMS Siemag; roll grinding section; two skin-pass mills (1700 and 2500) and a storage facility for cold-rolled, annealed and tempered coils.

THE FINISHING SECTION includes two cutting lines, four splitting units and one band cutting unit.

ROLLING MILL NO 8

One section of the mill is dedicated to the production of cold-formed sections and ERW pipe. Here cold-rolled and hot-rolled steel 1.2-8.0 mm is slitted for subsequent moulding and welding. The main equipment of this section includes a slitting line, four section-bending mills, three tubular mills and a galvanising line.

Another section is dedicated to the production of cold and hot-rolled bands, with an assortment ranging from 0.5 mm to 4.0 mm in thickness and 10 mm to 460 mm in width. The bands are made of carbon and low-alloy grades of steel. The main equipment used here includes a coil-joining line, a continuous pickling line, a five-stand 630 mm mill, a heat-treatment section (45 bell-type furnaces), a two-stand 630 mm skin-pass mill and five slitting lines.

ROLLING MILL NO 11

The main equipment of this new cold-rolling mill includes a continuous hydrochloric acid turbulent pickling line combined with a five-stand cold-rolling tandem mill with a production capacity of 2.1 million tonnes per year; a hot-dip galvanising line with a production capacity of 450,000 tonnes per year; a combined continuous annealing/hot-dip galvanising line with a production capacity of 650,000 tonnes per year; a grinding shop with units for polishing and texturing of working rolls; a splitting and inspection unit; and packing lines for processing of cold-rolled, cold-worked and galvanised steel.

The product assortment ranges from cold-rolled sheets in coils up to 43.5 tonnes with a sheet thickness of 0.28-3.0 mm and width of 850-1880 mm.

LONG PRODUCTS

The new continuous-section long-products mills 450, 370 and 170 launched in 2005-2006 are state-of-the-art automated high-production units which put out a large assortment of types and grades of long products.

The blanks used for rolling in these mills are continuous-pour 150x150 mm billets up to 12 meters in length.

The assortment of the new long-products mills is significantly broader compared to the long products previous produced by MMK and more fully corresponds to the market’s demands. The most popular products are coils 5-10 mm in diameter as well as bars 10-36 mm in diameter and rebar gauges No 6 – No 27 produced in coils up to 2.2 tonnes.
FINANCIAL RESULTS OF MMK GROUP

Under the existing corporate governance structure and reporting policy, MMK Group’s financial results are divided into the following segments:

Russian Steel Segment, including MMK and its subsidiaries engaged in the production of steel, wires and metal ware. All major assets, production capacity, management and administrative resources of this segment are situated in the city of Magnitogorsk, Russia.

Turkish Steel Segment, which includes MMK Metalurji, a steel producer. The two production sites of his segment are situated in Iskenderun and Istanbul, Turkey.

Coal Segment, which includes Belon and its subsidiaries (Belon Group) engaged in coal mining and processing.

SUMMARY FINANCIAL OVERVIEW OF MMK GROUP AND ITS BUSINESS SEGMENTS

<table>
<thead>
<tr>
<th>MMK GROUP, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,839</td>
<td>7,952</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,116</td>
<td>803</td>
</tr>
</tbody>
</table>

RESULTS FOR RUSSIAN STEEL SEGMENT

Revenue is influenced by steel prices, demand for steel, volume of products shipped and exchange rates.

2015 revenue for FY 2015 totalled USD 5,512 million, down 25.6% y-o-y. This decline can be attributed to the reduction in volume of sales in 2015 and lower average prices for steel on the domestic and export markets.

Operating profit is impacted not only by the factors mentioned above but also production volumes and operating expenses.

2015 operating profit increased 24.5%, in large part due to lower general and administrative expenses. Commercial expenses were down only slightly due to the large volume of product shipped for export.

<table>
<thead>
<tr>
<th>Russian steel segment, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,512</td>
<td>7,408</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,087</td>
<td>873</td>
</tr>
</tbody>
</table>

RESULTS FOR TURKISH STEEL SEGMENT

Revenue is influenced by steel prices, volume of products shipped and demand for steel.

2015 revenue for MMK Metalurji for FY 2015 totalled USD 554 million, down 13.8% y-o-y. This decrease can be attributed to the general decline in steel prices in the company’s core markets.

Operating profit was impacted by operating expenses and production volumes.

2015 losses from the operations of MMK Metalurji in FY 2015 amounted to USD 29 million.

<table>
<thead>
<tr>
<th>Turkish steel segment, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>554</td>
<td>643</td>
</tr>
<tr>
<td>Operating profit</td>
<td>-29</td>
<td>-37</td>
</tr>
</tbody>
</table>
COAL SEGMENT RESULTS

Revenue is influenced by volume of products shipped and exchange rates.

2015 revenue for the coal segment in FY 2015 amounted to USD 217 million, a decline of 19.9% y-o-y. The lower revenue can be attributed to rouble devaluation throughout the course of the year and the decrease in sales revenue as expressed in USD.

Operating profit is impacted by production volumes and operating expenses.

2015 operating profit for the coal segment in FY 2015 amounted to USD 57 million.

<table>
<thead>
<tr>
<th>Coal segment, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>217</td>
<td>271</td>
</tr>
<tr>
<td>Operating profit</td>
<td>57</td>
<td>-31</td>
</tr>
</tbody>
</table>

EXCLUSION OF INTER-SEGMENT TRANSACTIONS

All inter-group transactions and balances, income and expenses are excluded in consolidated results.

<table>
<thead>
<tr>
<th>Exclusion of inter-segment transactions, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-444</td>
<td>-370</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1</td>
<td>-2</td>
</tr>
</tbody>
</table>

REVENUE AND OPERATING PROFIT

The largest share of MMK Group’s revenues came from the Russian steel segment. With the development of the Turkish project, the share of the Turkish steel segment increased to 9.5%. The insignificant share of the coal segment (0.1%) can be attributed to the fact that an overwhelming percentage of its products are delivered to companies within MMK Group.

The Group’s revenue in FY 2015 amounted to USD 5,839 million, 26.6% less than the previous year. The decline in revenue can largely be attributed to decreased in MMK Group’s sales volume (down 8.0% from 2014) due to declining demand for steel on the Russian market (down 12% from the previous year) and the increase in transactions between companies within the group. Weak demand on the Russian market was, in part, compensated for by an increase in exports sales volumes of 25.5%. However, the increase in sales from MMK to MMK Metalurji by 434,000 tonnes resulted in an overall decrease in sales for the Group. If this factor was excluded, then MMK Group sales would have only declined by approximately 5.5%.

Another factor negatively impacting revenue was the decline in the average price of steel in USD over the course of the year by approximately USD 121 per tonne or 21.2% (from an average of USD 573 per tonne in 2014 to an average of USD 452 per tonne in 2015).

The operating profit of MMK Group amounted to USD 1,116 million. The increase in operating profit in 2015 by 39.0% from the previous year was driven by a 42.0% decline in general and administrative expenses, which are mainly denominated in roubles.

The operating profit for the Russian steel segment was USD 1,087 million, while the Turkish steel segment reported an operating loss of USD 29 million and the operating profit of the coal segment totalled USD 57 million.

EBITDA for FY 2015 reached USD 1,668 million, up 3.8% from FY 2014.

Cost of sales declined (at a faster pace than revenue) as a result of lower production volumes, rouble devaluation and the implementation of an expense optimisation program. General, administrative and commercial expenses in FY 2015 also decreased from the previous year.

<table>
<thead>
<tr>
<th>USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,839</td>
<td>7,952</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,116</td>
<td>803</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,668</td>
<td>1,607</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analysis of EBITDA, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,668</td>
<td>1,607</td>
</tr>
<tr>
<td>Change</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Production volume</td>
<td>-153</td>
<td></td>
</tr>
<tr>
<td>Product sales price</td>
<td>622</td>
<td></td>
</tr>
<tr>
<td>Product structure</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Cost of raw materials and energy</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Norms</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Raw materials supply</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Overhead</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Other expenses contributing to cost</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Other factors</td>
<td>-609</td>
<td></td>
</tr>
<tr>
<td>Change</td>
<td>61</td>
<td></td>
</tr>
</tbody>
</table>
Growth in operating profit in 2015 was driven by a 42.0% decline in general and administrative expenses, which are largely denominated in roubles.

Cost of sales, including amortisation, declined y-o-y by 34.7%.

Earnings per share were USD 0.038 while dividends for H1 2015 were paid out at USD 0.01 per common share, representing a return of 26% of profits to shareholders.
**CAPITAL INVESTMENT**

In FY 2015 investment in fixed assets totalled USD 348 million, down USD 149 million or 30.0% compared to FY 2014.

The decline was mainly due to the management’s balanced approach to implementation of the company’s investment programme and the rouble’s depreciation against the US dollar.

<table>
<thead>
<tr>
<th>Investment, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian steel segment</td>
<td>312</td>
<td>448</td>
</tr>
<tr>
<td>Turkish steel segment</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Coal segment</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Group total</td>
<td>348</td>
<td>497</td>
</tr>
</tbody>
</table>

**CASH FLOW**

Cash flow from operations in 2015 amounted to USD 1,365 million (compared to USD 1,256 in 2014) while tax payments amounted to USD 180 million.

Thanks to high operational efficiency and low CAPEX, MMK Group’s free cash flow for FY 2015 amounted to USD 1,008 million, up 32.8% from the previous year.

<table>
<thead>
<tr>
<th>Cash flow, USD million</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operations prior to changes in working capital</td>
<td>1,642</td>
<td>1,500</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>17</td>
<td>-47</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>1,356</td>
<td>1,256</td>
</tr>
<tr>
<td>Cash flow directed to investment programme</td>
<td>-421</td>
<td>-630</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>1,008</td>
<td>759</td>
</tr>
</tbody>
</table>

**CAPEX AND CASH FLOW FROM OPERATIONS**

Cash flow from operations increased thanks to higher operating profit.

**FREE CASH FLOW**

Free cash flow of MMK Group grew by USD 249 million.
DEBT BURDEN

The generation of a healthy cash flow allowed the company to reduce its net debt over the course of FY 2015 by 44.8% or USD 914 million (from USD 2,038 million as of 31 December 2014 to USD 1,124 million as of 31 December 2015). Moreover, at the end of the reporting period the company had USD 723 million of cash on its accounts (cash and cash equivalents of USD 369 million and short-term deposits of USD 354 million).

The reduction in net debt led to a net debt/EBITDA ratio of 0.67x at the end of FY 2015 (compared to 1.27x at the end of FY 2014).

As of the end of 2015 total debt stood at USD 1,847 million, down USD 740 million from the end of 2014.

As of 31 December 2015, short-term debt amounted to USD 893 million, which is nearly fully covered by cash at the company’s disposal.

MMK equity capital amounted to USD 3,320 million.

<table>
<thead>
<tr>
<th>CAPITAL STRUCTURE AND PROFITABILITY</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital and obligations, USD million</td>
<td>6,157</td>
<td>7,857</td>
</tr>
<tr>
<td>Invest capital, USD million</td>
<td>4,223</td>
<td>5,617</td>
</tr>
<tr>
<td>Equity capital, USD million</td>
<td>3,320</td>
<td>3,942</td>
</tr>
<tr>
<td>Net debt, USD million</td>
<td>1,124</td>
<td>2,038</td>
</tr>
<tr>
<td>Return on Invested Capital, %</td>
<td>26</td>
<td>14</td>
</tr>
<tr>
<td>Return on Equity, %</td>
<td>13</td>
<td>-1</td>
</tr>
<tr>
<td>Asset/equity ratio, %</td>
<td>54</td>
<td>50</td>
</tr>
<tr>
<td>Net debt/capital, %</td>
<td>34</td>
<td>52</td>
</tr>
</tbody>
</table>
RUSSIAN STEEL SEGMENT RESULTS
RUSSIAN STEEL SEGMENT RESULTS

The Russian Steel Segment is the core business of MMK Group and includes not only the parent company but also all major production, personnel and intellectual resources of the group. It’s the results of its operations determines the results of the group as a whole.

The Russian Steel Segment includes MMK and its steel-producing subsidiaries in Magnitogorsk, MMK-METIZ Metalware and Sizing Plant, service companies, the downstream steel-processing plants MMK-Profil-Moskva and Interkos-IV, as well as trading companies. Despite the fact that the core operations of this segment are concentrated at the industrial site in Magnitogorsk, the sphere of interests, companies of this segment, their branch operations and business divisions cover the entire territory of Russia and extend beyond its borders, in particular, into Belarus and Kazakhstan.

The critically important focus of this segment is to support the production and sale of metal products of Magnitogorsk Iron & Metal Works (MMK), which is the group’s core asset. This enterprise generates nearly 95% of the segment’s EBITDA and up to 90% of the group’s EBITDA. For this reason, this section will be dedicated to the results of MMK (not consolidated), as the defining results of the segment.

REVENUE AND OPERATING PROFIT

MMK’s revenue in 2015 amounted to USD 5,153 million, down USD 1,857 million from 2014. The main reason for this was the effect of the recalculation of results in roubles to US dollars for the financial statements. When expressed in roubles, the company’s revenue increased 18% due to price growth in roubles for metal products. The decline in the physical volume of metal products sold also had a certain negative impact on revenue.

Operating profit totalled USD 1,010 million, which is an improvement on 2014 (USD 878 million). The growth in profit was largely due to effective management of expenses in 2015. In particular, last year MMK implemented programs to cut costs and improve energy efficiency in the production process – a comprehensive set of measures aimed at improving productivity and engaging every employee in the process of optimising use of resources, minimising redundant operations, identifying and eliminating losses. As a result, the company succeeded in cutting costs by USD 100 million.
ANALYSIS OF OPERATING PROFIT, USD million

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>1 010</td>
<td>878</td>
</tr>
<tr>
<td>Difference</td>
<td>132</td>
<td>132</td>
</tr>
</tbody>
</table>

**Analysis of difference**

- Production volume: -111
- Sales price (in roubles): 711
- Product structure: 12
- Price of raw materials, fuel and energy: -109
- Specific costs: 24
- Supply structure: 21
- Overhead: 5
- Other cost of sales: 20
- Other factors*: -440

**Difference**: 132

* including effect of conversion to USD reporting

---

**Revenue and operating profit.** The main reason for the decline in revenue was the effect of recalculating rouble results into US dollars for reporting purposes. Growth in operating profit was made possible by the effective management of expenses and growth in metal prices as expressed in roubles.
Revenue structure. Sales of HVA products to key customers on the Russian market accounted for the largest share of revenue (nearly 50%).

Structure of operating costs. Traditional metallurgy is one of the most resource-intensive industries, with cost of raw materials accounting for as much as 70% of the cost of sales. Operating expenses (without amortisation) in 2015 were 33% less than in 2014 thanks to the rouble devaluation and the successful implementation of cost-cutting programmes.

PRODUCTION

MMK's production of such products as sinter, coke and pig iron in 2015 remained at approximately the same level as in 2014, while production of steel (directly dependent on demand for the end product) and production of finished metal products decreased 5-6% relative to the previous year, which can be attributed to weakening demand on the Russian market and the dramatic price drop (in US dollars) on external markets (it was possible to increase the volume of exports, but this would not have been economically prudent).

Utilisation of core production capacity was over 90%: sinter and blast furnace production was at 100%, coke production – 95%, and oxygen-converter capacity – 100%. Mill 5000 was utilised at 90% of capacity during 2015.
Production of metal products. On the whole the production of metal products declined by 5.5% and amounted to 11.012 million tonnes. The share of HVA products (in tonnes) was 37%.

Metal products by type. Hot-rolled steel has historically accounted for the lion’s share of metal production at MMK. In recent years, thanks to wide-scale modernisation of production capacity, the volume of HVA products has significantly increased.

High-value-added metal products. In recent years Russia has seen substantial increase in demand for coated metal. MMK has a major market share for this type of product, as it has steadily increased its production capacity. Mill 5000 has seen a high level of utilisation in recent years thanks to infrastructure project in the energy sector.
INVESTMENT

MMK’s 2015 investment program totalled USD 285 million, which was 30% less than in 2014. This is connected in part with the devaluation of the Russian rouble, as the main investments in 2015 were made in rouble-denominated projects, and also with the shift in investment priorities. In 2010-2012 major projects to modernise and expand MMK’s production capacity were completed (creation of the unique Hot-Rolling Mill 5000 and Cold-Rolling Mill 2000 complexes). Starting in 2014 the company has been placing an emphasis on low-cost, high-impact projects aimed at resource savings, environmental protection and improved labour safety. In 2015 projects were carried out to modernise blast furnaces and Hot-Rolling Mill 2500, several emission-reduction and wastewater-treatment units were commissioned and a number of projects improving energy efficiency and technological processes were implemented.

BUSINESS FOCUS

The main objective of the company in 2015-2016 is boosting operational efficiency while lowering costs and improving labour safety. In autumn of 2015 these focus areas were confirmed as top priorities in the Corporate Development Strategy through 2025 (see more in the corresponding section).

The work of MMK’s management in 2015 represents strong progress in these areas and has been recognised as a success both by the company’s Board of Directors and independent industry experts.
TURKISH STEEL SEGMENT RESULTS
MMK Group’s Turkish Steel Segment comprises MMK Metalurji, which has production sites in the industrial zones of Döşemeler (İskenderun) and Gebze (İstanbul). The production facilities were commissioned in April 2010 and in May 2011 began operating at full capacity. As an investment project implemented in Turkey with the 100% equity ownership, MMK Metalurji is Turkey’s largest industrial enterprise established by a private investor as a greenfield project.

The integrated plant is designed to produce annually 2.3 million tonnes of steel products, using advanced automation systems and globally acclaimed innovative technologies. In November 2012 in light of negative economic factors a decision was made to halt crude steel production. As a result, semi-finished hot-rolled and cold-rolled stock is purchased from MMK and third-party Turkish producers. MMK Metalurji also has a seaport with a throughput capacity of 12 million tonnes per year – the largest privately owned seaport in Turkey.

### TURKISH STEEL SEGMENT RESULTS

#### ACHIEVEMENTS IN 2015

#### PRODUCTION FIGURES

In 2015 MMK Metalurji increased shipments of metal products by 105,000 tonnes or 15% compared to 2014. Key production capacities were utilised to the fullest – the cold-rolling mill and galvanising unit reached record high production levels since their launch, which was largely made possible by the commissioning of new efficient air blades on the galvanising lines and by changes in the structure of orders received, which in turn is linked to the decline in share of export orders for thin products from Russia. The volume of semi-finished hot-rolled and cold-rolled stock purchased from MMK increased to 623,200 tonnes, which represents an increase of 434,200 tonnes from 2014.

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total steel production of MMK Metalurji, including:</td>
<td>156</td>
<td>505</td>
<td>901</td>
<td>664</td>
<td>690</td>
<td>795</td>
</tr>
<tr>
<td>Sheets</td>
<td>86</td>
<td>187</td>
<td>302</td>
<td>60</td>
<td>64</td>
<td>80</td>
</tr>
<tr>
<td>HVA</td>
<td>70</td>
<td>318</td>
<td>599</td>
<td>604</td>
<td>627</td>
<td>716</td>
</tr>
<tr>
<td>Share of HVA products</td>
<td>45%</td>
<td>63%</td>
<td>66%</td>
<td>91%</td>
<td>91%</td>
<td>90%</td>
</tr>
<tr>
<td>Galvanised</td>
<td>32</td>
<td>195</td>
<td>274</td>
<td>294</td>
<td>381</td>
<td>444</td>
</tr>
<tr>
<td>Polymer-coated</td>
<td>38</td>
<td>123</td>
<td>324</td>
<td>311</td>
<td>246</td>
<td>272</td>
</tr>
<tr>
<td>Products made from metal supplied by MMK</td>
<td>0.0</td>
<td>0.0</td>
<td>22.6</td>
<td>273.1</td>
<td>189.0</td>
<td>623.2</td>
</tr>
</tbody>
</table>
**MAIN ECONOMIC INDICATORS**

Total revenue of MMK Metalurji amounted to USD 554 million. Revenue from sales of metal products amounted to USD 506 million (USD 513 million with transportation services), which is USD 57 million less than in 2014, largely due to a 22% decline in prices (the average price in 2015 was USD 636/tonne). EBITDA reached USD 35.9 million, up USD 7.9 million or 28% from 2014. It is also worth noting that EBITDA per tonne and the EBITDA margin increased by USD 4 and 2%, correspondingly. Moreover, all EBITDA indicators reached their highest level since the company’s launch. One of the main factors boosting profitability in 2015 was the sweeping efforts to lower costs and capitalise on efficiency enhancement potential (lower specific resource expenditures, lower overhead costs) which generated USD 3.2 million in savings. The second major factor was the weakening of the national currency relative to the US dollar, which amounted to 25% and keep expenditures denominated in Turkish lira which account for 14% of total spending.

In 2015 the average headcount was 1253 people, which is 16% less than in 2014, a decrease that can be attributed to outsourcing of security, packaging and servicing of the seaport, and which led to lower expenses.

**KEY BUSINESS RESULTS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipments</td>
<td>kt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic market</td>
<td>kt</td>
<td>152.1</td>
<td>438.3</td>
<td>756.8</td>
<td>563.4</td>
<td>615.8</td>
<td>733.0</td>
</tr>
<tr>
<td>Export</td>
<td>kt</td>
<td>3.6</td>
<td>66.7</td>
<td>143.8</td>
<td>100.9</td>
<td>74.4</td>
<td>62.2</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>2.3</td>
<td>13.2</td>
<td>16.0</td>
<td>15.2</td>
<td>10.8</td>
<td>7.8</td>
</tr>
<tr>
<td>Sales:</td>
<td>USD million</td>
<td>121.6</td>
<td>441.9</td>
<td>739.4</td>
<td>582.6</td>
<td>563.0</td>
<td>506.0</td>
</tr>
<tr>
<td>Domestic market</td>
<td>USD million</td>
<td>118.5</td>
<td>384.3</td>
<td>602.4</td>
<td>484.3</td>
<td>496.2</td>
<td>464.9</td>
</tr>
<tr>
<td>Export</td>
<td>USD million</td>
<td>3.1</td>
<td>57.6</td>
<td>137.0</td>
<td>98.4</td>
<td>66.8</td>
<td>41.1</td>
</tr>
<tr>
<td>Unit price</td>
<td>USD/t</td>
<td>781</td>
<td>875</td>
<td>821</td>
<td>877</td>
<td>816</td>
<td>636</td>
</tr>
<tr>
<td>Domestic market</td>
<td>USD/t</td>
<td>779</td>
<td>877</td>
<td>796</td>
<td>860</td>
<td>806</td>
<td>634</td>
</tr>
<tr>
<td>Export</td>
<td>USD/t</td>
<td>848</td>
<td>864</td>
<td>953</td>
<td>975</td>
<td>898</td>
<td>660</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>USD million</td>
<td>132.5</td>
<td>481.8</td>
<td>886.0</td>
<td>588.2</td>
<td>594.8</td>
<td>541.5</td>
</tr>
<tr>
<td></td>
<td>USD/t</td>
<td>851</td>
<td>954</td>
<td>984</td>
<td>885</td>
<td>862</td>
<td>681</td>
</tr>
<tr>
<td>Profit from sales</td>
<td>USD million</td>
<td>-10.9</td>
<td>-39.9</td>
<td>-146.5</td>
<td>-5.5</td>
<td>-31.8</td>
<td>-35.5</td>
</tr>
<tr>
<td></td>
<td>USD/t</td>
<td>-70</td>
<td>-79.0</td>
<td>-163</td>
<td>-8.3</td>
<td>-46</td>
<td>-44.6</td>
</tr>
<tr>
<td>Sales profitability</td>
<td>%</td>
<td>-8.2</td>
<td>-8.3</td>
<td>-16.5</td>
<td>-0.9</td>
<td>-5.3</td>
<td>-6.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>USD million</td>
<td>-14.0</td>
<td>-63.0</td>
<td>-76.1</td>
<td>25.0</td>
<td>28.0</td>
<td>35.9</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>%</td>
<td>-9.8</td>
<td>-13.3</td>
<td>-9.8</td>
<td>3.9</td>
<td>4.4</td>
<td>6.5</td>
</tr>
<tr>
<td>EBITDA per ton</td>
<td>USD/t</td>
<td>-90</td>
<td>-125</td>
<td>-84</td>
<td>38</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>Investment</td>
<td>USD million</td>
<td>647.2</td>
<td>69.5</td>
<td>54.0</td>
<td>4.4</td>
<td>8.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Headcount</td>
<td>people</td>
<td>504</td>
<td>1,421</td>
<td>2,004</td>
<td>1,720</td>
<td>1,495</td>
<td>1,253</td>
</tr>
</tbody>
</table>
COST STRUCTURE FOR MMK METALURJI

<table>
<thead>
<tr>
<th>EXPENSE</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and feedstocks</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Semi-finished products</td>
<td>67%</td>
<td>65%</td>
</tr>
<tr>
<td>Industrial services</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Auxiliary materials</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Fuel and energy</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Wages and payroll taxes</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

SEAPORT

The cargo throughput volume of the seaport in 2015 was 7.9 million tonnes, up 10% from 2014, which was largely made possible by the acquisition of a new crane. Transhipment of sea cargo is a highly profitable business and in 2015 EBITDA reached USD 12.5 million for an EBITDA margin of 55%.

SEAPORT

Despite the challenging political and economic events in Turkey and persistent decline in metal prices throughout 2015, the company managed to achieve record high production and economic results. The successfully implemented cost-cutting program, the positive effective of a weaker national currency, changes in the structure of orders received and increase in productivity are the main factors which made these results possible.

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transhipment services provided, total</td>
<td>kt</td>
<td>1 410</td>
<td>4 942</td>
<td>5 715</td>
<td>6 771</td>
<td>7 181</td>
<td>7 912</td>
</tr>
<tr>
<td>Transhipment service for MMK shipments</td>
<td>kt</td>
<td>75</td>
<td>1 165</td>
<td>1 208</td>
<td>545</td>
<td>526</td>
<td>1 047</td>
</tr>
<tr>
<td>Transhipment services for third parties</td>
<td>kt</td>
<td>1 335</td>
<td>3 777</td>
<td>4 507</td>
<td>6 227</td>
<td>6 655</td>
<td>6 865</td>
</tr>
<tr>
<td>Transhipment services for third parties</td>
<td>USD/t</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
<td>3.3</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Transhipment services for third parties</td>
<td>USD ths</td>
<td>4 783</td>
<td>13 650</td>
<td>16 336</td>
<td>20 712</td>
<td>22 371</td>
<td>22 970</td>
</tr>
<tr>
<td>EBITDA</td>
<td>USD ths</td>
<td>1 940</td>
<td>6 874</td>
<td>7 336</td>
<td>10 873</td>
<td>11 726</td>
<td>12 549</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>%</td>
<td>41</td>
<td>50</td>
<td>45</td>
<td>52</td>
<td>52</td>
<td>55</td>
</tr>
</tbody>
</table>
MMK Group’s Coal Segment comprises companies of Belon Group and include two operating mines and a processing plant where coal is mined and processing into coking coal. The coal concentrate is delivered to MMK and other major steelmakers in Russia. The business also includes the delivery of ROM coal and concentrate by railroad, maintenance work, manufacturing of hardware for mining operations, exploration and degasification work as well as the sale of its own coking coal concentrate.

In 2015 the company met its plan for coal production, mine development and coal concentrate output.

Belon continues to make a concerted effort to increase production efficiency by investing in the development and modernisation of our mines and other facilities supporting production.

**REVENUE AND PROFIT**

The vast majority of the company’s product is purchased by MMK, with a small percentage acquired by third parties. All sales correspond with market prices.

Revenue increased 27% and reached RUB 13,193 million, of which the total sum of revenue from transactions outside the group amounted to RUB 808 million.

Profit from sales increased to RUB 3,302 million. The main reasons for this increase was growth in coal concentrate prices, a change in sales structure toward a greater share of higher-margin concentrate and lower cost of sales for concentrate. Negative factors influencing profit were higher prices for raw materials and price and tariff hikes by the natural monopolies.

Profit from the sale of 2.370 million tonnes of Zh+KS (fat + coking cake), the main grade produced by Belon, totalled RUB 3,223 million roubles. In order to provide MMK lean coking coal concentrate in 2015, the company processed and shipped 472,000 tonnes of coal concentrate made from purchased coal, generating a profit of RUB 63 million.

The provision of other services to third-parties generated an additional profit of RUB 16 million.

The consolidated cost of production of coal concentrate prior to amortisation increased by 11% and totalled RUB 9,860 million, which includes an increase in expenditures on purchased materials in the amount of RUB 1,461 million or 57%. The suspension of operations at the unprofitable Chertinskaya-Yuzhnaya Coal Mine made it possible to decrease production costs by RUB 1,034 million. Amortisation deductions in 2015 amounted to RUB 1,289 million.

Expenditures on general mine development work (preparation of production units) totalled RUB 1,165 million, which according the accounting policy are considered deferred expenses.

In 2015 Belon initiated a program for improving operational efficiency. The measures developed under this program cover all areas of operations of the businesses of Belon Group. The measures with the highest impact were those aimed at increasing productivity and improving product quality, generating savings of RUB 292 million in 2015. Measures aimed at lower personnel numbers, reducing material and energy expenses, optimising transport expenses and other cost-cutting opportunities saved the company RUB 316 million. The total effect of the program amounted to RUB 608 million while spending on the implementation these initiatives amounted to RUB 213 million.

**INVESTMENT**

Throughout the course of the year intensive capital investments were made in the subsidiaries of Belon.

The main areas of investment were: acquisition of equipment for maintaining and boosting of production levels as well as improving labour productivity; mine development work to open up coal reserves and prepare for extraction; acquisition of equipment to create a safer work environment.

Capital investment in 2015 totalled RUB 1,945.3 million roubles, which is RUB 572.1 million (37%) more than the planned level and RUB 417.4 million more than the level of investment in 2014.

The largest capital investments were made in the development of the Chertinskaya-Koksovaya Mine (RUB 787.4 million), Kostromovskaya Mine (RUB 998.8 million) and Belovskaya Central Coal Preparation Plant (RUB 75.1 million). In 2016 plans call for investment of RUB 2,067.6 million in production maintenance and development, including RUB 1,453.2 million in the Chertinskaya-Koksovaya Mine, RUB 390.2 million in the Kostromovskaya Mine and
RUB 149.6 million in the Belovskaya Central Coal Preparation Plant.

**PRODUCTION**

In 2015 the coal mining enterprises produced 3.583 million tonnes of ROM coal (down 75,000 tonnes compared to 2014).

The decline in coal production is a result of the suspension of mining operations at the Chertinskaya-Yuzhnaya Coal Mine, as coal production had become unprofitable due to difficult deposit conditions, high ash content and lower coal prices. Coal production at the mine in 2014 totalled 391,000 tonnes while in 2015 there was no coal production.

Coal production at the Chertinskaya-Koksovaya Mine declined by 144,000 tonnes from 1.467 million tonnes in 2014 to 1.323 million tonnes in 2015. The main reason for the decline was unpredictable difficulties encountered in the mine’s geological conditions and breakdowns in mining equipment.

The Kostromovskaya Mine increased coal production by 460,000 tonnes, as output increased from 1.8 million tonnes in 2014 to 2.26 million tonnes in 2015. The production increase was made possible by advanced preparation of stopes with significant reserves and the corresponding decrease in production losses due to repositioning of mining equipment.

In 2015 Belovskaya Central Coal Preparation Plant processed 4.751 tonnes of coal, which was 344,000 tonnes less than in 2014. The plant produced 2.822 tonnes of coal concentrate, which was 119,000 tonnes less than in 2014.
REVENUE AND SALES PROFIT
Growth in sales profit compared to 2014 was caused by growth in prices for coal concentrate and an increase of the share of high-margin products in the overall sales volume.

REVENUE STRUCTURE BY COAL GRADE
More than 80% of the company’s revenues were generated by the sale of Zh+KS grade coal.

STRUCTURE OF PRODUCTION EXPENSES
36% of production expenditures go to the purchase of raw materials (ROM coal for additional charging and production of monogrades).

DEVELOPMENT OF THE RESOURCE BASE
During 2015 a geological report on coal reserves for the Nikitskiy block of the Kostromovksaya Mine. In December this geological report was reviewed by the State Committee for Mineral Reserves. The minutes confirming these reserves are expected to be approved by the Federal Agency on Subsoil Usage in Q1 2016. Coal reserves will then increase by 130.8 million tonnes as a result.

In order to meet licence conditions for the Chertinskiy-glubokiy block of the Chertinskaya Yuzhnaya Mine was developed in December 2015, and a feasibility study for continued exploration to measure coal reserves was submitted to the State Committee for Mineral Reserves. The Company plans to defend its feasibility study and produce a geological report on coal reserves during 2016, after which the coal reserves at the Chertinskiy-glubokiy block will be added to its reserves. This will result in additional 58.5 million tonnes of coal being added to the Chertinskaya-Yuzhnaya Mine’s reserves.
The top development priority for Chertinskaya-Koksovaya Mine in 2015 was the construction of a sloped conveyor shaft and the opening of vein No 4. The construction of the conveyor made it possible to transition coal extraction to a conveyor-only system and eliminate electric locomotive transport, dumper cars and vertical skip hoisting. The full fit-out of the conveyor and construction of the surface complex is planned for 2016. Following the transition of coal transport to the conveyor, the mine’s production capacity will increase to 2.1-2.1 million tonnes annually. The opening and preparation of vein No 4 is intended to replace the production capacity of vein No 3, which is approaching depletion. The recoverable coal reserves of vein No 4 are estimated at 9.2 million tonnes of clean coal.

The main focus of the Kostromovskaya Mine in 2015 was developing coal reserves in the east wing of the coal field. In order to open the seam and create development headings from two sides, construction began on the east flank incline shaft. The launch of workings here will allow set up coal production across a longer length of the seam and consequently make more of the deposit accessible. Throughout the year significant attention was paid to mine tunnelling (3.8 km) and upgrading and replacing mine equipment. In 2016 plans call for continued construction of the east flank incline shaft and the start of construction on production facilities for the shaft at the surface.

At Belovskaya Central Coal Preparation Plant the main development focus in 2015 was the implementation of programs for boosting concentrate output. The programs will allow for production of an additional 41.3 tonnes of coal concentrate annually. The program will be wrapped up in 2016, with the investment total estimated at RUB 118.5 million.

The decline in cost of production of concentrate was a result of the shuttering of unprofitable enterprises and sale of non-core assets. A program for improving operational efficiency was implemented in 2015 covering all areas of operations of the businesses of Belon Group, which made it possible to reduce the cost of production per tonne of coal concentrate.
LLC SHAKHTA KOSTROMOVSKAYA

The mine entered into operation in 2008 and is one of the youngest coal extracting companies in Kuzbass. Thanks to its high productivity, however, the coalfield’s west wing has been completely mined by the company, and mining works have been relocated to the east wing. The mine is currently developing one coal seam, No. 19, where grade Zh coking coal is being extracted. This is used for the production of high-quality coke. To ensure the company’s future prospects, the Nikitinsky subsoil sector, whose seam lies below seam No. 19, was purchased at auction. In December 2015, coal reserves in the Nikitinsky sector were assessed by the State Commission on Reserves; the record of the proceedings confirming the reserves is pending approval at Rosnedra. The company is planning to increase its coal reserves by 130.6 million tonnes in 2016.

Development in 2015
The main development in 2015 was the exploration of the coal reserves in the coalfield’s east flank along seam No. 19. In order to organise a rational plan for developing the coal reserves in 2015, works began on the East Flank Inclined Shaft (EFIS). Due to the large volumes of sediment covering the bedrock, it was decided to excavate a pit about 60 metres deep for the sinking of the shaft. Over 930 thousand cubic metres of clay will be removed from the pit. Installation of the EFIS and construction of the surface production site in 2016 will make it possible to prepare a coal washing face of over 2 km in length and with storage areas of 2.8-2.9 million tonnes. New mining equipment was upgraded and introduced throughout the year. Capital investment in the equipment amounted to RUB 440 million. RUB 205.2 million was spent on purchasing belt conveyors alone. RUB 469 million was invested for the establishment of permanent workings in the east wing of the mining field.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, RUB million</td>
<td>4,154</td>
<td>2,310</td>
</tr>
<tr>
<td>Profit, RUB million</td>
<td>2,187</td>
<td>110</td>
</tr>
<tr>
<td>Investments, RUB million</td>
<td>999</td>
<td>850</td>
</tr>
<tr>
<td>Production volume, kt</td>
<td>2,260</td>
<td>1,800</td>
</tr>
<tr>
<td>Average number full-time employees</td>
<td>874</td>
<td>923</td>
</tr>
<tr>
<td>Number of accidents</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

LLC SHAKHTA CHERTINSKAYA-KOKSOVAYA

The mine has been developing coal reserves in the Kuzbass Chertinsky Coalfield for over 60 years. The company produces valuable grade Zh coking coals used in the production of coke at steel mills. In the mine at seam No. 3, unique mechanised equipment that allows for the development of deposits occurring at an angle of incidence up to 500 is used for coal extraction. The use of this equipment makes it possible to extract coal that was formerly considered unrecoverable.

Development in 2015
Work continued at the mine throughout the year in order to upgrade production facilities. This involved the construction of an inclined conveyor shaft (ICS) and preparations to develop the coal reserves at seam No. 4. The construction of the ICS will enable the use of conveyors throughout the entire extraction process, which will in turn allow for the following: reducing the cost of coal production, simplifying the logistics for transporting the coal from the washing and preparation faces to the company’s coal storage, and optimising the number of labourers. Preparation for the development of coal reserves at seam No. 4 will make it possible to replace the coal mining capacity that will no longer be used at seam No. 3. The coal reserves in seam No. 4 are found in more favourable mining and geological conditions. In 2015, RUB 199.9 million was invested in the construction of the ICS, and RUB 386.7 million in mining capital developments at seam No. 4. The projects are slated for completion in 2016. In the course of the year, it is planned to complete the installation of the ICS conveyor belts and to construct an industrial site on the surface along with galleries for the company’s coal storage. During the second half of the year, it is planned to begin operations at the first washing face in seam No. 4. The projects’ implementation will allow for the mine’s production capacity to be increased to 2,100 thousand tonnes as early as 2017 and ensure that this level of production is maintained in the years to follow.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, RUB million</td>
<td>2,140</td>
<td>2,310</td>
</tr>
<tr>
<td>Profit, RUB million</td>
<td>320</td>
<td>-667</td>
</tr>
<tr>
<td>Investments, RUB million</td>
<td>787</td>
<td>562</td>
</tr>
<tr>
<td>Production volume, kt</td>
<td>1,323</td>
<td>1,467</td>
</tr>
<tr>
<td>Average number full-time employees</td>
<td>1,571</td>
<td>1,628</td>
</tr>
<tr>
<td>Number of accidents</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>
LLC SHAKHTA CHERTINSKAYA-YUZHNAYA

In 2014, due to the mine’s decreased profitability stemming from lower coal prices and the increased difficulty of the mining and geologic conditions for production, it was decided to temporarily shut down mining operations as of 1 January 2015. The shutdown was conducted in accordance with a project reviewed and approved by the Main State Expert Review Board and the Central Resource Commission Expert Review Board. Operations are expected to be shut down for eight years.

To prevent underground water from flowing into the active Chertinskaya-Cocksovaya tunnels, it was decided to pump water out through the Shakhta Chertinskaya-Yuzhnaya vertical shaft. Operations to remove equipment from the mine and isolate the mine workings were completed in the first half of 2015, and the installation of pumping units in the mine’s vertical shaft was completed in August. Water began being pumped out in October 2015. Since the mine had received a licence to use the subsurface at the Chertinsky Gluboky site in 2010, work on a feasibility study on the conditions for calculating coal reserves continued throughout the year. In December, the feasibility study was submitted to the National Reserves Committee of the Federal Subsoil Management Agency (GKZ Rosnedra) for evaluation. It is expected that the feasibility study and geological report with the calculation of coal reserves will pass a GKZ expert review in 2016 and that approximately 58.5 million tonnes of coal reserves will be put on the balance in the second part of the year. In the future, coal reserves at the Chertinsky Gluboky site may be developed like LLC Shakhta Chertinskaya-Yuzhnaya, as well as LLC Shakhta Chertinskaya-Cocksovaya.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, RUB million</td>
<td>0</td>
<td>487</td>
</tr>
<tr>
<td>Profit, RUB million</td>
<td>0</td>
<td>-808</td>
</tr>
<tr>
<td>Investments, RUB million</td>
<td>36</td>
<td>59</td>
</tr>
<tr>
<td>Production volume, kt</td>
<td>0</td>
<td>391</td>
</tr>
<tr>
<td>Average number of full-time employees</td>
<td>108</td>
<td>541</td>
</tr>
<tr>
<td>Number of accidents</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

OJSC COF BELOVSKAYA

The Belovskaya Central Concentrating Factory produces concentrated grades of coking coal. The plant has a production capacity of 6,160 thousand tonnes of raw coal. It is expected that, starting in 2018, the company will be producing at full capacity. Its main product is Belovsky coal concentrate, which is a mix of grade Zh fat coking coals (80%) and grades K, KO, KS and OS coking coals (20%). In addition, the factory concentrates K grades of coking coals as monogrades. In the 2015 summer months, test concentration of Zh grade coals without the addition of other coals was conducted; the technology does not provide for drying the obtained concentrate.

Development in 2015

Implementation of a programme to increase output of the concentrate got under way at COF Belovskaya in 2015. The programme is expected to produce an additional 41.3 thousand tonnes of concentrate per year. The programme provides for the replacement of flotation machines and the commissioning of equipment and automated systems for rewashing class 0.5-13 mm coals with isolation of the concentrate A total of RUB 118.5 million is to be invested in the programme in 2016. Factoring in the additional coal concentrate to be obtained, there will be a return on the project investment in less than a year.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, RUB million</td>
<td>4,257</td>
<td>987</td>
</tr>
<tr>
<td>Profit, RUB million</td>
<td>380</td>
<td>65</td>
</tr>
<tr>
<td>Investments, RUB million</td>
<td>75</td>
<td>50</td>
</tr>
<tr>
<td>Processing volume, kt</td>
<td>4,751</td>
<td>5,095</td>
</tr>
<tr>
<td>Average number of full-time employees</td>
<td>342</td>
<td>425</td>
</tr>
<tr>
<td>Number of accidents</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>
**OJSC BELOVOPOGRUZTRANS**

**Development in 2015**
The reorganisation of the management of PJSC Belon's subsidiary companies got under way. The programme stipulates that the service companies LLC Sibgormontazh (LLC SGM), LLC Avtobaza Inskaya and LLC Belon-Geologia will become part of PJSC BPT as production sites. The reorganisation will make it possible to reduce production costs, lower the cost of products and services, and optimise the number of management personnel.

In 2015, PJSC BPT serviced its own railways, as well as the tracks and stations of PJSC Belon's subsidiary companies. The company handled cargo supplies (materials, equipment, fuel, etc.), empty carriages, and carriages with raw coal and concentrate along the railways between the stations of Belon Group companies and the MPS Belovo railway stations.

Sibgormontazh SGM LLC handled the manufacture of metal supports, support elements and equipment for the Group companies. The underground mining site underwent refitting and the installation of mining shaft equipment, as well as the refitting of the mechanised washing complex, the installation of belt conveyors, and other works.

In 2015, LLC Avtobaza Inskaya handled the servicing of automobile transport, including bringing employees to work sites, hauling cargo, servicing the special and bulldozing machinery for the Company’s coal stores, removing and storing rocks in the COF Belovskaya storage areas and other types of work.

Throughout 2015, LLC Belon-Geologia carried out operations for drilling holes from the surface. Existing equipment allows for the drilling of all the required boreholes, including for degassing coal seams, pumping out groundwater, and monitoring the geological environment and exploration drill holes. At the end of the year, work got under way on the construction of an underground drilling site. All of the underground drilling in the shafts and on the surface is planned to be conducted by Belon-Geologia specialists in 2016.
MEETING MMK’S
SUPPLY NEEDS
In 2015, MMK had the following priorities in terms of procurement:

MMK’s annual procurement amounted to RUB 190,170.8 million (excluding VAT), which included: primary raw materials, 57%; basic materials, 14%; refractory and additional materials, 5%; energy resources, 11%; technological materials, 5%; and spare parts and equipment, 8%.

<table>
<thead>
<tr>
<th>PRIORITY AREA</th>
<th>RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of materials and equipment purchased</td>
<td>Improved production quality, increased service life of equipment</td>
</tr>
<tr>
<td>Price reduction</td>
<td>Reduction in production costs, increased profitability</td>
</tr>
<tr>
<td>Timely delivery</td>
<td>Timely performance of MMK’s contract obligations to its customers, minimising inventory and waste</td>
</tr>
<tr>
<td>Consolidation of volumes, framework and long-term contracts</td>
<td>Price reduction, guaranteed timely deliveries, and avoiding supply disruptions</td>
</tr>
</tbody>
</table>

Some 65% of all purchases made in foreign currency involved the purchase of iron ore concentrate and pellets from our main supplier, ERG SALES AG. An amendment to our long-term contract with ERG SALES was signed in 2015, introducing improved pricing conditions for pellets and iron ore concentrate in 2016.
### RAW MATERIAL MARKETS

<table>
<thead>
<tr>
<th>RAW MATERIAL</th>
<th>MARKET DESCRIPTION AND TRENDS</th>
<th>OPERATIONAL RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore concentrate and pellets</td>
<td>The downward trend in global iron ore prices caused by the slowdown in China’s economy has been losing pace since 2014, while the high degree of volatility of the RUB-USD exchange rate led to an increase in rouble-denominated prices in Russia’s domestic market.</td>
<td>Formulas directly dependent on exchange rates in terms of reducing quotation thresholds and premiums for pellets were reviewed, and the number of dollar-denominated contracts (in accordance with the contracts as a result of the much higher value of the dollar) was reduced. Long-term contracts with Russian manufacturers were reviewed with a pricing formula that takes market factors into account.</td>
</tr>
<tr>
<td>Coal concentrate</td>
<td>The high degree of volatility in the market led suppliers to look more to export markets, which resulted in shortages of raw materials in the domestic market and thus to a price increase of more than 150% in Q2 2015.</td>
<td>A contract was signed with the largest supplier of fat coal in Russia at a discounted price due to contract volumes, and our approach to purchasing coking coal changed, replacing our regular, expensive suppliers of high-quality brands with suppliers offering the right combination of price and quality.</td>
</tr>
<tr>
<td>Scrap</td>
<td>A decline in global market prices and volumes of finished steel products and increased competitiveness with respect to scrap metal led to a general decrease in prices in the domestic market.</td>
<td>Carryover stocks and an approach to purchasing on an as-needed basis with planned replenishment during the year without a significant increase in prices.</td>
</tr>
<tr>
<td>Ferroalloys</td>
<td>A decrease in both price and volume of finished products in world markets led to a drop in world prices, but the considerable rise in the dollar exchange rate resulted in an increase in rouble prices in the Russian market.</td>
<td>Formulas were agreed with major manufacturers for calculating the supply price of ferroalloys, and imported materials were purchased.</td>
</tr>
</tbody>
</table>

Group companies supplied MMK with 23% of its total procurement needs. More specifically, they provided 39% of coal supplies, 65% of scrap metal, 19% of ferroalloys, 43% of refractory and additional materials and 26% of equipment and spare parts.

In 2015, the Company experienced significant savings in comparison with 2014 as a result of a reduction in the cost of its electricity purchases and the resale of natural gas and electricity. Total savings from the purchase and sale of energy in 2015, taking into account savings by services subordinate to the Deputy General Director for Production (RUB 198,988 million), amounted to RUB 690,981 million. Combined savings by the services were achieved through the purchase of electricity and capacity.
INTERACTION WITH SUPPLIERS

At the end of the year, the Group had 9,400 registered suppliers, while 1,682 companies delivered supplies during the year. Some 82% of supplies were provided by companies rated as “higher” or “first-class”, which guarantees that the materials and equipment supplied are of high quality.

Following the established principle regarding the priority of working with manufacturers, 96.2% of all purchases in 2015 were from manufacturers and trading houses.

Beginning in the third quarter, tenders have been carried out on the basis of the consolidated requirements of Group companies, thereby reducing purchase prices and production costs.

In order to increase efficiency and reduce supply risks, the following measures were implemented in 2015:

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>2015 RESULT</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier audit</td>
<td>31 (organisations)</td>
<td>Procedure for evaluating suppliers for compliance with MMK’s requirements before signing an agreement so as to avoid risks</td>
</tr>
<tr>
<td>Open Day</td>
<td>63 (organisations)</td>
<td>Improving interaction with both existing and potential suppliers</td>
</tr>
<tr>
<td>Supplier and customer survey</td>
<td>138/47 (feedback forms)</td>
<td>An evaluation of MMK’s procurement services based on the results of the survey in order to improve the efficiency of procurement procedures</td>
</tr>
<tr>
<td>Import substitution</td>
<td>573 (items)</td>
<td>Reducing dependence on imported equipment and technologies, reducing the cost of imported materials and technical resources, reducing the risk of failure of deliveries of materials and equipment from foreign manufacturers</td>
</tr>
<tr>
<td>Supplier of the Year competition</td>
<td>1</td>
<td>Encouraging companies to make deliveries in accordance with MMK’s priorities: price, quality and timeliness</td>
</tr>
</tbody>
</table>

INTERACTION WITH SUPPLIERS

Beginning in the third quarter, tenders have been carried out on the basis of the consolidated requirements of Group companies, thereby reducing purchase prices and production costs.

In order to increase efficiency and reduce supply risks, the following measures were implemented in 2015:

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>2015 RESULT</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier audit</td>
<td>31 (organisations)</td>
<td>Procedure for evaluating suppliers for compliance with MMK’s requirements before signing an agreement so as to avoid risks</td>
</tr>
<tr>
<td>Open Day</td>
<td>63 (organisations)</td>
<td>Improving interaction with both existing and potential suppliers</td>
</tr>
<tr>
<td>Supplier and customer survey</td>
<td>138/47 (feedback forms)</td>
<td>An evaluation of MMK’s procurement services based on the results of the survey in order to improve the efficiency of procurement procedures</td>
</tr>
<tr>
<td>Import substitution</td>
<td>573 (items)</td>
<td>Reducing dependence on imported equipment and technologies, reducing the cost of imported materials and technical resources, reducing the risk of failure of deliveries of materials and equipment from foreign manufacturers</td>
</tr>
<tr>
<td>Supplier of the Year competition</td>
<td>1</td>
<td>Encouraging companies to make deliveries in accordance with MMK’s priorities: price, quality and timeliness</td>
</tr>
</tbody>
</table>
1. DESCRIPTION OF MMK’S RISK MANAGEMENT SYSTEM

Emerging markets, in particular the Russian Federation, are highly dynamic and are characterised by a higher level of risk than developed markets, including significant legal, economic and political risks. Effective and timely work to minimise these risks and the implementation of certain additional features are among the key elements to achieving the Company’s goals and improving key performance indicators.

MMK was one of the first Russian steelmaking companies to develop and implement a comprehensive risk management system that meets international best practices in the field of risk management. The project to develop and implement a comprehensive risk management system (CRMS) was completed in 2007. Compliance with best practices has been confirmed by repeated independent assessments of the system and recommendations for its further improvement have been implemented.

In 2015, OJSC MMK was once again awarded the title of Best Risk Management at an annual international competition organised by the Russian Risk Management Society. Experts and managers at all levels took part in corporate training on Integrated Risk Management on an ongoing basis.

The staff of OJSC MMK’s risk management unit became the first in Russia to be certified as qualified professionals in the field of risk management, and risk management policies and standards have been approved for both the company and the MMK Group.

In accordance with MMK’s risk management policies, the CRMS is an integral part of MMK’s management system, and the risk management process is the responsibility of each Company employee. Employees are expected to manage risks based on their level of authority and responsibility. In addition, a responsible person is identified for managing each risk.

MMK’s leadership assumes responsibility and the obligation to provide the necessary resources and to create the conditions for the implementation of policies in the field of risk management.
DISTRIBUTION OF FUNCTIONAL RESPONSIBILITIES BETWEEN THE MAIN ACTORS IN RISK MANAGEMENT

- OJSC MMK BOARD OF DIRECTORS
  - Approval of OJSC MMK’s Report on Risk Management
  - Appointment of officials responsible for risk management
  - Approval of measures aimed at reducing risk

- OJSC MMK GENERAL DIRECTOR
  - Approval of OJSC MMK’s Risk Map

- BOARD OF COMMITTEE FOR AUDIT
  - Development of measures aimed at reducing risk

- MANAGERS RESPONSIBLE FOR RISK MANAGEMENT
  - Implementation of measures aimed at reducing risk

- RISK MANAGEMENT DIVISION
  - Coordination of actions to identify risks. Development of OJSC MMK’s Risk Map
  - Identification of risks, formation of risk maps

- DIVISIONS OF MMK
  - Monitoring implementation of measures aimed at reducing risk
  - Preparation of OJSC MMK’s Report on Risk Management
2. THE MAIN RISKS AND UNCERTAINTIES

2.1. INDUSTRY RISKS
2.1.1. THE RISKS ASSOCIATED WITH CHANGES IN DEMAND AND IN THE PRICE OF STEEL PRODUCTS

OJSC MMK's performance results largely depend on changes in demand and in the price of rolled steel and other steel products.

**Domestic market**

2015 saw a decline in production in the major steel-consuming sectors of the Russian economy: production of welded pipes decreased by 1.3% compared to 2014, production of motor vehicles decreased by 27.5%, steel consumption from key railway-industry manufacturers was cut in half. The only industry to show an increase in steel consumption was shipbuilding, which expanded as a result of the production of nuclear-powered icebreakers as part of a programme to upgrade Russia’s icebreaker fleet. Despite the decline in construction volumes (0.5% of residential properties and 14% of non-residential buildings), construction remains the main consumer of rolled steel in Russia.

Given the significant reduction in imports of steel products into the Russian Federation, including due to sudden and unpredictable fluctuations in exchange rates, Russian steelmakers expanded their supplies of steel products to domestic consumers. In turn, this made it possible to maintain fairly stable prices for steel products in comparison with prices in international markets. The price of hot-rolled steel in Russia (USD) was down 24% as of the end of 2015, which was significantly lower than international market prices.

As a result of investments and the upgrading of their steelmaking capacity in recent years, Russian steelmakers managed to maintain prices in the domestic market for flat steel products at a fairly high level in comparison with export parity due to production quality and the expansion of high-valued-added products in the structure of shipments.

Due to prices and low overhead costs in the context of the global steel industry, Russian steelmakers were able to enjoy good financial results in comparison with the general trend of reduced profitability among steelmakers worldwide.

In 2016, the biggest risk of price reductions will be in the hot- and cold-rolled steel sectors as a result of factors such as a possible continuation of the devaluation of the rouble, the instability of effective demand for steel products in Russia, and the stabilisation of prices for flat steel products in international markets.

The price of galvanised rolled steel may partially recover, as it is not expected to drop below its current level in 2016.

**Export market**

In 2015, apparent consumption of steel products declined by 1.3% to 1,520.3 million tonnes. Among major regional markets, decreases were observed in the following countries and regions: China (-3% year-on-year), the CIS (-11% year-on-year) and NAFTA (-2.7%). Sustained growth in demand was seen in Middle East, however, where market volume increased by 4% year-on-year. Growth was also seen in Africa (5.1%) and the EU (1.3%).

In 2016, growth in steel consumption of 1.4% year-on-year is expected, and this positive trend will continue in 2017.

The consequence of falling demand for rolled steel products was a 2.8% year-on-year reduction in steel production in 2015 to 1,622.8 million tonnes. Of the largest steel-producing countries, only India saw an increase at 2.6% year-on-year to 89.6 million tonnes. Steel production in China fell by 2.3% year-on-year to 803.8 million tonnes, while Russian production was more or less stable, with a slight decrease of 0.5% year-on-year to 71.1 million tonnes. As a result, global steel capacity averaged 69.7% in 2015, down 3.8 percentage points year-on-year, the lowest level since 2011.

With low capacity and an imbalance in terms of supply and demand, 2015 was unprecedented in recent years in terms of the depth and duration of the fall in prices for ferrous metals in world markets. Chinese steelmakers were the catalyst for the decrease. Seeing lower domestic consumption of rolled steel products in 2015, they increased exports by 20% year-on-year to a record 112 million tonnes, which had an impact on every regional steel market, hitting emerging markets in Southeast Asia hardest. As a result, the price of hot-rolled coils in world markets decreased by 32% for 2015.

**RISK MANAGEMENT**

MMK has adopted the following measures to reduce the risks associated with changes in the demand for, and the prices of, its products:

- diversification of the range of consumers;
- active marketing policy;

The relatively low price of long steel products in Russia compared to exports in 2015 may continue in 2016. The large number of market players and the difficult situation in the construction industry have been stimulating competition among Russian supplies and prices down.
• conclusion of long-term contracts for the shipment of steel products;
• development of a sales network;
• reorientation of production for products that are more marketable;
• a flexible pricing policy;
• reduction of production costs;
• expansion of the product mix, including through the production of unique products and high-value-added products (Hot Rolling Mill 5000, Cold Rolling Mill in 2000, and others).

2.1.2. **RISKS ASSOCIATED WITH INTRA-INDUSTRY COMPETITION**

Despite the decrease in production, international trade in rolled steel products and semi-finished goods increased in 2015. This trend led to an increase in protectionist measures in nearly every major steel market in the world. Anti-dumping investigations were conducted in NAFTA countries, the EU, the Middle East, India and Southeast Asia. In most cases, the investigations concerned steel from China and Russia, and the largest fines were levied against these two countries, the world’s largest exporters of steel products. This, along with a drop in world prices for steel products, led to increased competition in the domestic market, which is due to the high concentration of steel producers. Nine large companies account for more than 80% of Russian industrial production of ferrous steel: Evraz, Severstal, NLMK, MMK, UK Metalloinvest, Mechel, TMK, OMK, and the Chelyabinsk Pipe Rolling Plant Group.

The main competition in the international market comes from companies from China, India, Turkey, and the CIS countries, which are close to OJSC MMK’s main regional market. In addition, steel producers are also facing competition from the producers of substitute materials that are used in construction and the production of packaging materials instead of steel products. The intensity of competition and the cyclical nature of steel markets could eventually lead to a significant reduction in the Company’s profits.

The main competitiveness factors that make it possible to reduce the risks of intra-industry competition are price, quality, meeting customers’ specifications and delivery schedules, technological equipment, location in relation to key customers and suppliers, and more favourable transportation routes.

**RISK MANAGEMENT**

OJSC MMK does not have a sufficient supply of its own raw materials and has been taking action to improve its own raw material base, thereby reducing the risks associated with the provision of basic raw materials.

2.1.3. **RISKS ASSOCIATED WITH POSSIBLE CHANGES IN PRICES FOR RAW MATERIALS AND SERVICES**

OJSC MMK consumes a significant amount of metallurgical raw materials, and raw materials account for the bulk of OJSC MMK’s production costs. Supplies of raw materials are subject to risks depending on the specific nature of each segment of the commodity market.

The steady drop in global prices of raw materials persisted throughout 2015. As a result, prices reached or fell below the crisis levels of 2008-2009. Prices of iron ore and coking coal dropped more than 50% (with average annual decline over 2014-2015 amounting to 30-40%). The main reason for this was an increase in the surplus of raw materials, as previously planned projects on the part of major mining companies throughout the world continued to increase the supply of raw materials. This occurred during a slowdown in demand and production volumes in China’s steel industry.

In 2015, the decrease in Russian raw material exports to China benefited Russian steelmakers, as it allowed them to slow the transfer effect of the devaluation of the rouble to the level of the rouble-denominated price of purchased raw materials.

In 2016, no significant changes are expected in markets for the main metallurgical raw materials:

**Iron ore:** iron ore prices in world markets may be only slightly higher in 2016 compared to the end of 2015, with prices fluctuating around USD 40-50/t CIF China. No growth in demand for iron ore is expected in China in 2016, and the rate of reduction of capacity, which is oriented towards iron ore exports to China, will not be sufficient in light of the large surplus that currently exists.

**Coking coal:** world prices for coking coal for 2016 may see moderate growth due to the stabilisation of demand in China and the impact of capacity improvements on production in 2014-2015. At the same time, the reduction in supply in world markets will have a significant impact on price levels due to the high degree of competition with coal companies in China.

**Scrap metal:** World prices for scrap in 2016 will remain under pressure due to small fluctuations in prices for blast-furnace coke and for semi-finished products, as well as the high degree of competition among integrated steel plants in comparison with electric arc furnace mini-mills.

**RISK MANAGEMENT**

OJSC MMK does not have a sufficient supply of its own raw materials and has been taking action to improve its own raw material base, thereby reducing the risks associated with the provision of basic raw materials.
OJSC MMK is taking necessary and reasonable steps to reduce this risk:

• expansion of its own raw materials base;
• conclusion of long-term contracts for the supply of raw materials with fixed terms and pricing formulas;
• diversification of its key raw material suppliers.

2.2. REGIONAL AND COUNTRY RISKS

2.2.1. COUNTRY RISKS

A number of countries continue to impose economic sanctions on Russia. In addition, there are ongoing discussions about the possibility of additional sanctions. Exactly how widespread such sanctions would be is unclear, and it is impossible to predict whether current sanctions will be toughened or weakened. As a result, their impact on OJSC MMK’s operations remains uncertain. The situation is being constantly monitored.

On 25 January 2016, the Turkish Ministry of Economy published the results of its anti-dumping investigation regarding exporting producers of hot-rolled products, as a result of which an anti-dumping margin was introduced that, for OJSC MMK in particular, could amount to 13.66%.

The European Commission plans to introduce a 26% anti-dumping duty on cold-rolled flat products from Russia. Duties will affect supplies from mid-December 2015. Provisional duties could officially be introduced on 14 February, with definitive measures (if the anti-dumping investigation confirms violations) to take effect on 12 August.

RISK MANAGEMENT

In case of the imposition of sanctions that have a negative impact on MMK’s operations, all reasonable steps to minimise adverse effects will be taken.

2.2.2. REGIONAL RISKS

MMK’s production activity is carried out on the territory of the Russian Federation. MMK performs its principal operations in the city of Magnitogorsk, the Chelyabinsk Region. The steelmaking facilities in the region produce about 60% of the total volume of industrial production. The development of steelmaking facilities that prioritise the development of ferrous and non-ferrous metallurgy is crucial for the industry in the Chelyabinsk Region.

If any of the following occur, they could adversely affect the company’s operations:

• A significant reduction in the size of the federal and regional budgets in the short or medium term.
• Disruption of interaction between the mining, steel and transport segments, although this is not expected in the short, medium or long term.
• Reduction of sales in the domestic market due to lower demand for steel in Russia resulting from:
  • a decline in effective demand from regional consumers of steel products;
  • a reduction in the competitiveness of Russian steel-consuming industries, e.g. the machine tool industry, the agricultural machinery, etc. (in particular in connection with Russia’s entry into the WTO), in the absence of investment in modernisation of production;
  • a reduction (or lack) of state programmes to enhance the competitiveness of Russia’s steel-consuming industries and boost import substitution;
  • a continued decrease in foreign investment due to sanctions and deterioration of the investment attractiveness of the Russian Federation;
  • competitors retargeting their products to the Russian market due to lack of opportunity to access export markets.

RISK MANAGEMENT

A competitive pricing policy, protection of the Company’s interests through government authorities in the framework of sectoral organisations and business associations, planned work to protect the domestic market from unfair competition from foreign suppliers of steel products and unplanned measures (in case of growth in imports) using trade protection instruments.

2.2.3. SOCIAL SITUATION

MMK has been developing and successfully implementing social programmes for its employees based on the creation of favourable conditions for the solution to all of life’s problems.

Among the company’s major social concerns are medical treatment and health-care programmes for its employees; rehabilitation of employees and their families; social support for non-working pensioners, the disabled and other categories of impoverished people; support for families with many children, mothers and birth-rate stimulation; implementation of housing and youth programmes, the
organisation of cultural and sporting events, etc. As a result, MMK created an effective system for the social protection of employees and other categories of people. The spending of MMK Group on charity and social programmes in 2015 totalled RUB 1.4 billion, including RUB 860 million from MMK.

The company is actively involved in the development of infrastructure in the city and surrounding areas, including cultural and sports facilities, and it supports voluntary associations. The company is responsible for the construction of hospitals, schools, roads and housing; the provision of support for community centres, recreation and children’s health facilities; and the creation of a whole system of measures designed to improve the life of the residents of Magnitogorsk.

By funding social programmes, MMK is creating, in the long run, a solid foundation for the further development of Magnitogorsk and the Urals Region.

2.3. FINANCIAL RISKS
2.3.1. CURRENCY RISK

MMK exports a portion of its products for foreign currency, and a portion of the Company’s liabilities (including loans) are also denominated in foreign currency.

Thus, the risk of currency fluctuations poses a threat to profitability, either as a result of the strengthening of the Russian rouble against the currency in which export contracts are denominated or in case of adverse changes in the exchange rates of the currencies in which the Company’s liabilities are denominated. In addition, the Company is exposed to a transactional currency risk.

Currently, MMK’s expenditures and revenues in foreign currencies are balanced, and currency fluctuations have a minimal impact on the company’s earnings.

RISK MANAGEMENT

MMK takes measures to reduce natural currency risks by optimising the foreign exchange position for each currency, reducing the risk to an acceptable limit for the Company and monitoring changes in currency positions and currency risk.

2.3.2. INTEREST RISK

While the interest rate risk is insignificant for OJSC MMK, it does have an impact on the value of the Company’s equity and debt, and, consequently, on the final results of operations.

Despite the fact that the economic sanctions levied against Russia and the reduction in Russia’s sovereign rating led to increased borrowing costs, there was no interest rate risk in 2015 in relation to OJSC MMK’s loan portfolio, and there was no increase in interest rates on existing contracts.
OJSC MMK's debt is mainly in the form of EURIBOR and LIBOR floating-rate loans, which are at historically low levels and are not expected to rise in the near future. The reduction of the Bank of Russia's key rate from 18% to 11% had a positive impact on the debt capital market.

**RISK MANAGEMENT**

The Company is not hedging its interest rate risk at the moment, but, in every situation, it uses its internal financial risk management tools to ensure that it meets its obligations.

MMK takes measures to reduce its interest rate risk by maintaining the optimal structure of its loan portfolio of fixed and floating interest rates, as well as by monitoring the level of its interest rate risk.

### 2.3.3. CREDIT RISK

In view of the decrease in effective demand on the part of buyers of OJSC MMK's steel products and the high level of interest rates and fees on bank loans and guarantees, there is a significant risk for OJSC MMK.

**RISK MANAGEMENT**

In order to minimise risk, the following steps are taken when shipping goods on credit: customers' credit rating is checked, limits are set, and goods are secured by bank guarantees, pledges, sureties, and factoring on payment plans.

### 2.4. LEGAL RISKS

#### 2.4.1. RISKS ASSOCIATED WITH CHANGES IN TAX LEGISLATION

As of now, one can say that the basic principles of Russian tax law have been established and that the results of the most recent tax reform have been positive: the tax system now has a structure, mechanisms and rules have been established that simplify tax collection, and tax rates have been reduced.

The relevant case law from the Constitutional Court of the Russian Federation shows that the provisions of the basic law affect the tax rights of legal entities and protect taxpayers from unreasonable and sudden increases in their tax burden.

These factors allow us to conclude that the tax system of the Russian Federation has become more stable and that the operations of legal entities in Russia have become more predictable in terms of their tax consequences.

However, one cannot rule out the possibility of an increasing tax burden due to changes in individual elements of taxation, the abolition of tax breaks, increases in fees, etc.

**RISK MANAGEMENT**

MMK is one of the largest taxpayers in Russia, and its operations are based on the principles of ensuring the integrity and transparency of the information provided to the tax authorities.

The Company carries out real-time monitoring of changes in tax legislation and changes in the enforcement of existing regulations. In addition, the Company is involved in the legislative process through the assessment of tax bills.

MMK assesses and predicts the degree of any possible adverse effects that changes in tax legislation may have, focusing its efforts on minimising the risks associated with such changes.

#### 2.4.2. RISKS ASSOCIATED WITH CHANGES IN CURRENCY REGULATION

The policy of currency regulation carried out by the Russian government can be assessed as favourable. No changes that could adversely affect MMK are expected.

**RISK MANAGEMENT**

The Company constantly monitors changes in currency legislation to evaluate their possible impact on the Company.
2.4.3. RISKS ASSOCIATED WITH THE CHANGES IN CUSTOMS REGULATIONS AND DUTIES

MMK is subject to certain risks associated with changes in legislation in the field of the state regulation of foreign trade, as well as the customs legislation of the Customs Union, which regulates the movement of goods across the customs border of the Customs Union, the establishment and application of customs procedures, and the establishment, introduction and collection of customs duties.

RISK MANAGEMENT

The Company complies with the requirements of customs control, provides all the documents necessary for the implementation of both export and import operations in a timely manner and has sufficient financial and human resources to comply with the rules and regulations in the field of customs regulation. In case of the introduction of customs duties on certain types of imported and exported goods, MMK will take all necessary measures to reduce this risk.

2.5. ENVIRONMENTAL RISKS

In the course of its production operations, MMK emits pollutants into the atmosphere, discharges pollutants into bodies of water and disposes of industrial waste. Therefore, MMK is subject to environmental risks that are significant to the Company.

RISK MANAGEMENT

The Company operates on the basis of a package of regulations, in particular, the Federal Law on Environmental Protection and the Federal Law on Environmental Impact Assessments. In accordance with the provisions of existing documents, the Company takes comprehensive steps aimed at the adoption of measures in the field of environmental regulation and determination of the maximum permissible levels of environmental impact, and it constantly monitors the requirements for the examination of design documents for the development of deposits and the requirements for licensing documentation for processing hydrocarbons.

The Company’s main activities in respect of environmental protection involve arrangements to protect the atmosphere, the use of resource- and energy-saving technologies that implement the best-possible utilisation of waste products, and continuous improvement of the environmental management system. Any facilities to be put into service must comply with the above-mentioned environmental legislation. MMK has not been charged with any violations of the legal requirements in the field of environmental protection, as such charges could materially affect the Company’s financial and economic activities.

The Company’s operations comply with its approved Environmental Policy, which identifies the minimisation of the possible impact of its activities on the environment, public health and staff as its main goals. The implementation of the Company’s Environmental Policy makes it possible to monitor and manage environmental risks.
2.6. RISKS OF OCCUPATIONAL HEALTH AND INDUSTRIAL SAFETY

The issue of occupational health and industrial safety is relevant for MMK, as the Company’s integrated steel mills house a large number of hazardous production facilities, as well as complicated production equipment and technologies.

RISK MANAGEMENT

MMK has built a system of occupational health and industrial safety that is constantly being improved. MMK was one of the first Russian companies to receive a certificate according to OHSAS 18001: 2007.

The strategic objective of MMK’s policy in the sphere of industrial safety is to ensure healthy and safe working conditions, and one of the main priorities of the Occupational Health and Industrial Safety Administration is the maintenance of the life and health of the Company’s employees in the workplace.

The relevant departments at MMK pay close attention to working conditions, sanitary facilities, the provision of personal protective equipment, etc.

In accordance with the policy in the sphere of occupational health and industrial safety, MMK is constantly improving its system of occupational health and industrial safety, considering it one of the pillars of the Company’s sustainable development. One of the Company’s goals is the gradual reduction of occupational injuries, accidents and occupational diseases.

With the support of the trade union committee, there is a system of elected commissioners for health and safety in production shops. There are annual contests for safety and reduction of occupational injuries, as well as annual certification of workplaces, medical examinations, and training on the principles of industrial safety and occupational safety.

The annual costs for health and safety, including the improvement of employees’ working conditions, amount to hundreds of millions of Russian roubles. In 2015, MMK’s outlays for these purposes totalled approximately RUB 625 million.
HUMAN RESOURCES
OJSC MMK’s employees are the main resource that is capable of ensuring the Company’s long-term competitive advantage. In the current labour market, the preservation and development of human resources is a priority for OJSC MMK.

MAIN PRINCIPLES:

1. A unified approach and consistency in human resource management.
2. Continuity of personnel development.
3. Ensuring a balance between the social and economic impact of measures taken in the area of personnel management.
4. Flexibility in terms of labour management and regulations.
5. Enhancing the prestige associated with working for MMK, and ensuring continuity of the Company’s traditions of corporate ideology and culture.

OJSC MMK sees its projects in the field of human resource development as a long-term investment, establishing a basis for the Company’s sustainable development and contributing to the creation of new products and technologies. Enhancing psychological and material incentives, on both a collective and individual basis, results in continuous improvement depending on the changes occurring at OJSC MMK. The constant monitoring of the social climate among workers makes it possible to determine their job satisfaction. Incentivising staff to develop their knowledge and professional skills makes it possible to react in a flexible manner to ongoing production requirements and minimise costs during the start-up period of new facilities.

Thanks to investments in its staff, OJSC MMK has established a very professional team with a responsible approach to achieving strategic corporate goals. In the labour market in both the city and the region, there is high demand for jobs within the MMK Group. The Company’s investments into its personnel are repaid by the significant competitive advantages that it gains by having highly qualified and motivated staff.

<table>
<thead>
<tr>
<th>NO</th>
<th>INDICATOR</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Average number of employees</td>
<td>20,029</td>
<td>18,572</td>
</tr>
<tr>
<td>2</td>
<td>Total payroll, RUB thousands</td>
<td>11,373,668</td>
<td>11,561,297</td>
</tr>
<tr>
<td>3</td>
<td>Average monthly wage, RUB</td>
<td>47,190</td>
<td>51,756</td>
</tr>
<tr>
<td>4</td>
<td>Labour productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>tonnes/person</td>
<td>61.7</td>
<td>62.7</td>
</tr>
<tr>
<td></td>
<td>RUB ths of commercial product/person</td>
<td>1,112.9</td>
<td>1,413.5</td>
</tr>
<tr>
<td>5</td>
<td>Subsistence minimum for the able-bodied population of the Chelyabinsk Region (Q4), RUB</td>
<td>8,511</td>
<td>9,661</td>
</tr>
<tr>
<td>6</td>
<td>Ratio exceeding the subsistence minimum</td>
<td>5.5</td>
<td>5.3</td>
</tr>
</tbody>
</table>
INVESTMENT IN HUMAN RESOURCES

For the MMK Group’s operations to be effective, its HR strategy also needs to be effective: employees with a broad range of skills and a high level of qualifications are the Company’s main resource for ensuring a long-term competitive advantage in the steel industry.

The priority for MMK Group is the conservation and development of its human resources through the implementation of an integrated system of continuous vocational training along a path from school to college to university and finally to the Corporate Training Centre. This approach is mutually beneficial for the city’s educational institutions, and it makes it possible to provide professional guidance and to properly motivate students in choosing a profession. To this end, excursions were organised for nearly 3,000 students in 2015 to museums and the Company’s various structural divisions. In addition, Group companies provide a wide variety of assistance to 49 general education institutions in the city of Magnitogorsk. This involves investment in maintenance and improvement of sponsored schools and funding for the Gifted Children of Magnitogorsk charitable programme.

HUMAN RESOURCES CAPACITY-BUILDING

MMK Group is careful to maintain its tradition of continuity and development of technical skills. Over 80% of the Group’s employees have received professional education in educational institutions in the city that were specially designed for the preparation of future steelworkers, miners, power engineers, builders, economists, and so on.

The main sources of qualified workers and specialists for the Group are the Polytechnic College and the Nosov Magnitogorsk State Technical University, which produce graduates in more than 50 trades and professions every year. Thanks to the strong foundation provided for the professional education of future steelworkers several decades ago, and the unbending support of the plant, the Group’s businesses are not only fully staffed, but they also occupy a leading position among companies in heavy industry in the Russian Federation in terms of the level of vocational training of their personnel, which 83% of the Group’s employees enjoy (88% at OJSC MMK). In 2015, more than 500 graduates were hired for positions at OJSC MMK. Nearly all of them received their vocational training at educational institutions in Magnitogorsk.
STAFF DEVELOPMENT

In order to develop employees’ skills and to train potential candidates for positions in the Group, OJSC MMK is continuously carrying out staff training through a variety of educational programmes. Programme participants are hired after passing a competitive selection procedure. Senior and middle managers are trained in leading Russian and international business schools. Employees receive training in a second specialisation and also take part in courses to improve their qualifications. As part of the development of the Group’s management capacity, it co-operates with leading financial and management schools in Russian MBA programmes. To expand and develop the skills of Group employees, regular on-the-job training is provided to give workers opportunities in other divisions, which then makes it possible for Group companies to fill staffing vacancies through their own personnel.

DIVERSITY AND EQUAL OPPORTUNITIES

MMK Group’s employees include individuals of different ages, length of service and education levels, 32% of whom are women. Women and men have equal opportunities for career advancement depending on their education, skills and professional knowledge. Women account for 34% of managers, professionals and plant workers.

As a socially oriented company, MMK has employed 379 people with physical disabilities, and the Company takes their abilities and health into account.

SUPPORT FOR TALENTED YOUNG PEOPLE

MMK Group provides production training for students from educational institutions and for their their employment after graduation. In accordance with agreements on mutually beneficial cooperation, with the aim of training young professionals and skilled workers, future graduates should complete secondary and complementary specialisations. Students receive practical training in the workplace and acquire practical skills under the supervision of trainers. With the support from OJSC MMK, a team of students from the polytechnic college, which has educational programmes for 11 professions in the areas of metallurgical, electrical and mechanical engineering, took first place in the WorldSkills Russia National Championship in the area of the Mechatronics, sixth place in the EuroSkills competition in France and was among the winners at the WorldSkills World Championship in Brazil.

Managers and specialists from various divisions of OJSC MMK regularly take part in scientific and technical projects and curriculum development, and also play a role on state expert commissions and dissertation boards.

Employees of OJSC MMK, in collaboration with scholars from Moscow State Technical University, have won the All-Russian Competition for High-tech Manufacturing on three occasions.

The effectiveness of MMK’s current training system has been assessed by the Ministry of Industry and Trade of the Russian Federation and the Mining and Metallurgical Trade Union of Russia. In 2014 and 2015, OJSC MMK won an award for Human Resources Development in an industry competition for the social impact of mining companies. OJSC MMK was the winner in the main category, Business Social Responsibility, at the Russian Union of Industrialists and Entrepreneurs competition in 2015, Leaders of Russian Business: Dynamics and Responsibility.

SOCIAL POLICY

MMK Group has been implementing a variety of social and charitable programmes for many years. The Company has a strong reputation as a socially oriented enterprise. The health of its employees is of constant concern the management of OJSC MMK. The Company pays a great deal of attention to the prevention of illness. Nevertheless, morbidity increased by 13% in 2015 compared to the year before, underscoring the need for, and the importance of, further preventive measures. In those divisions of OJSC MMK with increased morbidity, management and medical staff have been analysing the situation and developing further measures to reduce the incidence of illness.

In order to prevent workplace illnesses among employees working in hazardous conditions, medicine and vitamin drinks are provided. Employees working in hot micro-climates are provided with mineral water.

Employees of OJSC MMK receive medical treatment at the Central Medical Centre, which has its own polyclinic for employees of OJSC MMK, as well as a network of 50 health centres. This allows the Company’s employees to undergo:

- preliminary and periodic medical examinations;
- preventive examinations by workplace therapists and specialist physicians (based on their medical recommendations);
- physiotherapy;
- vaccinations against seasonal influenza, hepatitis B, diphtheria, tetanus, tick-borne encephalitis, and others;
- medical and hygienic training for a healthy lifestyle at the Health School for workers suffering from orthopaedic injuries or respiratory, cardiovascular and other diseases. Good results have been achieved through the No Back Pain and Pulmonary Health programmes, with the incidence of primary and concomitant illnesses down by more than 40%.
Employees with symptoms of ill health caused by exposure to harmful substances related to the production process undergo a detailed medical examination at one of the occupational pathology centres. In the event that a health condition is discovered, employees are given the opportunity to continue their employment in another position with better working conditions.

The Social Insurance Fund covers the costs of employees from groups at risk of work-related illnesses and those under observation for recuperation at health resorts and sanatoriums.

In 2015, the incidence of morbidity due to external factors (flu epidemic) rose for the first time in four years. Realising the importance of proper rest and spa treatments for the health of the families of steelworkers, OJSC MMK reimburses its employees for up to 80% of the cost of vouchers to sanatoriums and health resorts. The children of employees are able to take a break each year at OJSC MMK’s summer camps in the countryside, Ural Dawn and Mountain Gorge, by using vouchers purchased at 30% of their total cost.

OJSC MMK pays a great deal of attention to accessibility to mass sporting events. For the purposes of sports and leisure activities in Magnitogorsk, infrastructure was built to house sports facilities. The Company’s employees have the opportunity to participate and compete in more than 30 sports on the grounds of the Metallurg-Magnitogorsk sports club and to visit ski resorts and a water park at a reduced price. In addition, when it comes to high-level sport, OJSC MMK has sponsored the Metallurg hockey team for many years and has supported Russian champions in sports like skiing, snowboarding, rowing, etc.

Diverse leisure activities are an important part of effective work. To this end, the Company organises extensive cultural projects at the Sergo Ordzhonikidze Palace of Culture. Each year, the Palace of Culture organises around 700-800 events for current and former Company employees, and the celebration of Steelworkers Day has been the Company’s mass-culture calling card and a favourite holiday among city residents.

In support of its efforts to hire and retain young professionals, MMK Group implements a programme called Affordable Housing for Magnitogorsk Steelmakers, through which employees can improve their living conditions and buy an apartment in comfortable and high-quality multi-storey buildings with 120-150 apartments that are rented out every year by Steelworkers Day. MMK workers are able to purchase apartments at a reduced price per square metre, with convenient instalments and a so-called social mortgage, and young specialists with families who have performed well at work and proven themselves at scientific and technical conferences are provided a subsidy worth RUB 120,000.

On the basis of the Metallurg Charity Foundation, the Company implements two major charitable programmes:

1. **Care**, which provides support for retired former employees and disabled workers. It includes more than 50 areas of support for the above-mentioned categories to ensure that its former employees can enjoy a decent standard of living after starting their well-deserved retirement.

2. **21st-Century Children of the South Urals** offers support for mothers, children, families with a lot of children and support to stimulate the birth rate. It includes more than 40 areas of assistance, including treatment, rehabilitation and the organisation of leisure activities for children, support for children with disabilities and children without parental care, as well as the development of the institution of the family.

As one of the leaders of the Russian steelmaking industry, OJSC MMK is aware of its responsibility for the development of the city and the region in which it operates. Recognising the need for social stability in the region for the effective operation of the Company, OJSC MMK provides support
and assistance to public associations, as well as to various educational, health, cultural and sports organisations and to religious communities.

In 2015, MMK Group spent RUB 1.4 billion on its social and charitable programmes, including RUB 860 million by the parent company.

LABOUR SAFETY

In accordance with MMK Group’s Development Strategy, its top priority is safe production, one of the most important parts of which is ensuring healthy and safe working conditions, as well as industrial safety.

To resolve this issue, the Company announced a strategic initiative: a zero-tolerance policy for safety violations or, in other words, zero tolerance for risky behaviour. The Company’s Strategic Development Plan until 2025 set the following goal: the complete elimination of fatal accidents and becoming a leader among steelmaking companies in regard of key indicators in the area of occupational health and safety, continuous improvement and raising safe work standards.

MEASURES TO IMPROVE SAFETY

Efforts to ensure healthy and safe working conditions for employees are undertaken by Company management in collaboration with the trade union and medical staff in accordance with the provisions of Russian legislation, OJSC MMK’s collective bargaining agreement and other legal acts establishing requirements in the area of health and technical safety. Protecting and improving the health of workers is ensured by a wide range of organisational, technical, sanitary and preventive measures. The most important element in ensuring workplace safety is the efficient functioning of the Occupational Health and Safety Management System (OH & S). The basis of the functioning of the System involves the identification of hazards, the assessment and management of the risk of a hazardous event occurring, whether it be an incident, accident or occupational illness.

Systematic efforts are made to assess working conditions and to identify possible risks of injury to workers, the results of which are developed into technical measures that are implemented with the aim of ensuring healthy and safe working conditions.

Taking into account that the vast majority of accidents are caused by human negligence, OJSC MMK, in accordance with best practices in this area, focused in 2014-2015 on working with staff to ensure that workers make a conscious effort to comply with safety requirements.

CREATING A SAFE WORKING ENVIRONMENT

As a company that takes part in the entire steelmaking process, OJSC MMK includes: production through open pit mining; beneficiation of iron ore; sinter, coke and blast-furnace coke production; steelmaking; production of hot-rolled sheets and long steel products; and the production of cold-rolled sheets, rolled zinc and polymer coating. In addition to the above-mentioned items, the plant also has facilities for the production of thermal energy, steam, electricity, oxygen production, as well as facilities for waste disposal. This alone shows the variety of existing occupational hazards inherent to these production processes and having an impact on the health of workers.

In 2015, there were 10 accidents involving 11 injured workers at OJSC MMK, including two fatal accidents, four serious accidents involving five injured workers, including one serious group-related incident leaving two injured. In 2014, there were 11 accidents, including two fatal accidents, and five serious incidents. The frequency of accidents involving employees of OJSC MMK (LTI) in 2015 was 0.30, up from 0.28 in 2014. The frequency of accidents (LII) involving personnel from the Company’s main contractor was 0.25 in 2015, down from 0.26 in 2014.
For this purpose, the following was done:

- within the framework of three-level monitoring, a system was implemented for reviewing the safe behaviour of employees that involved the prevention of dangerous activities, promotion of safe work practices, and interviewing employees to receive suggestions from them regarding the improvement of occupational safety and health;

- economic incentives were introduced to motivate work crews to remind each member of their crew about safe behaviour;

- a publication called “Key Safety Requirements at OJSC MMK” was developed and given to each employee; non-compliance with this document can result in termination;

- a clearly worded promise from the General Director of OJSC MMK was widely distributed, stating that workers who refuse to work in hazardous conditions would be protected;

- Principles of Operation in the Area of Occupational Health, Safety and Environmental Protection and a Code of Safe Behaviour for managers were approved and widely circulated, setting out the Company’s main intentions and requirements for employees and managers. Both documents are aimed at ensuring that employees are sufficiently aware of workplace safety issues;

- a drawing contest on the theme of safe work was held for school-aged children of Company employees as way of getting children to remind their parents to comply with safety regulations in the workplace.
To implement the strategic initiative Zero Tolerance for Safety Violations in 2015, the 24/7 Safety programme was approved, the name of which refers to the fact that safety issues need to be addressed 24 hours a day, 7 days a week, i.e. constantly and continuously, with no days off. The programme is intended to remain in effect for years to come, and its measures have already begun being implemented. It consists of the following elements:

- the commitment and involvement of MMK Group’s top management;
- improving oversight on the part of production managers;
- improving the competence of managers and specialists;
- creating so-called Safety Schools;
- establishing effective communication;
- providing training on best practices;
- improving the documentation for the OH & S Management System;
- improving the risk management system;
- isolating energy sources;
- improving IT support for the OH & S Management System;
- preparing for, and responding to, emergencies;
- visualising hazards and protective measures;
- working together with trade unions;
- managing risks introduced by contractors.

Work in these areas will continue in 2016, including on the implementation of technical measures aimed at reducing the risk of occupational injuries.

The main events planned for 2016 for the implementation of the strategic initiative Zero Tolerance for Safety Violations are as follows:

- creating a central commission on labour protection, industrial safety and environmental protection;
- updating the Strategy in accordance with the Policy on Industry and Workplace Safety;
- developing and implementing a procedure to investigate the root causes of accidents through cause-and-effect analysis of injury risks to workers, including when performing dangerous operations;
- developing and implementing a procedure for analysing the safety of work procedures;
- improving the assessment process and risk management in industrial and workplace safety;
- conducting, including by senior management, reviews of safe behaviour on the part of employees;
- conducting mutual testing in the area of industrial and workplace safety between divisions that includes drafting a list of fresh ideas;
- visualising sources of hazards and measures to be used to manage them (stickers, reflective materials, signs indicating the need to use personal protective equipment, warning colours, etc.);
- developing a regulation for a General Director’s Prize in the categories of Security, Environment and Health.
PROCEDURES USED BY SENIOR MANAGEMENT TO OVERSEE THE ORGANISATION’S ASSESSMENT OF ITS ENVIRONMENTAL PERFORMANCE

OJSC MMK’s top management is constantly evaluating the Company’s environmental performance. For this purpose, a quarterly analysis of the environmental management system is carried out. The results of this analysis are then reviewed at a meeting of the Council on Quality, Environment, Industrial Safety and Labour Safety.

The Board of Directors conducts an analysis of OJSC MMK’s Environmental Policy every year. Following consideration of the implementation of OJSC MMK’s Environmental Policy at a Board meeting on 11 September 2015, it was concluded that the Policy would need to be updated in 2016 to take into account MMK Group’s Strategic Development Plan for the period until 2025.

ENVIRONMENTAL ORGANISATIONS

In 2015, OJSC MMK received the ERAECO National Environmental Award for the development and implementation of technologies aimed at improving the environmental safety of production processes.

The environmental and energy rating agency Interfax-ERA published environmental ratings for the largest (top 150) companies in Russia in 2015 (http://interfax-era.ru/reitingi-predpriyatii/fundamentalnaya-effektivnost/top150-ecologicheskaya).

In formulating the rating, OJSC MMK was provided with data on the environmental aspects of its operations for the period 2010-2014. Based on 2014 results, OJSC MMK was ranked 122nd out of Russia’s 150 largest companies. Companies in the ferrous metals industry were ranked as follows: NLMK, 69th; Severstal, 98th; EVRAZ NTMK, 113th; EVRAZ Joint West Siberian Iron & Steel Works, 136th; Chelyabinsk Metallurgical Plant, 139th.

THE ENVIRONMENT AND CONSERVATION

In planning its long-term and sustainable development, OJSC MMK always pays a great deal of attention to issues of environmental safety and improvement of its environmental management system.

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

Currently, the environmental safety of OJSC MMK’s production activities is ensured by a number of environmentally friendly facilities, including:

- 281 gas scrubbers (mainly sock filters and electrofilters), as well as wet scrubbers (hollow scrubbers and high-velocity washers);
- 44 local water recirculation machines and 52 wastewater treatment plants (radial and vertical settling tanks, neutralising stations);
- 16 specialised plants for processing industrial waste.

ENVIRONMENTAL MANAGEMENT SYSTEM

OJSC MMK’s environmental management system (EMS) is one of the main elements of the Company’s overall management system, and it is aimed at reducing the Company’s environmental impact.

Since 2004, OJSC MMK has been implementing and successfully operating an environmental management system certified for compliance with ISO 14001 international standards. On 7-8 October 2015 (according to Order No. GD-01/391 of 21 September 2015), an external supervisory audit of the OJSC MMK’s environmental management system was conducted. Based on the results, specialists from the TUV NORD CERT GmbH (Germany) certification body confirmed that the requirements of ISO 14001:2004 international standards were being met and that OJSC MMK’s environmental management system was functioning properly.

The certification of OJSC MMK’s environmental management system includes the processing and production of: limestone, lime, dolomite, gravel; coke and coke-chemical products; steel; continuous-cast slabs for hot rolling; hot-rolled and cold-rolled coils and sheets; long steel products; cold-rolled strip; tin; galvanised steel; coated steel; rolled products for the automotive industry, electro-fused and galvanised pipes; formed steel sections; electricity and heat-transfer agents.

ENVIRONMENTAL POLICY AND PERFORMANCE

OJSC MMK’s Environmental Policy is publicly available to all interested parties. The policy is based on OJSC MMK’s current Mission and Strategic Objectives approved by the Board of Directors. One of OJSC MMK’s strategic goals is to reduce any harmful environmental impact by the Company.
The following tasks will be performed in order to ensure OJSC MMK’s achievement of its strategic goals in the field of environmental protection:

- Cutting pollutant emissions and discharges to acceptable levels by 2017;
- Achieving, by 2022, industry-specific indicators for atmospheric emissions on a level that corresponds with that of the world’s leading steel companies;
- Disposing of all wastes in hazard classes 3, 4 and 5 in environmentally safe facilities with the necessary capacity by 2022;
- Being in a position to make use of all iron-containing waste produced in production processes by 2022;
- Completing the reclamation, by 2022, of Magnitnaya Mountain’s West Opencast Pit and third-stage slag dumps in accordance with the project documentation;

- Implementing, by 2022, an environmental management system that is in accordance with the requirements of ISO 14001 (or GOST R ISO 14001) international standards in all MMK Group companies that have a harmful impact on the environment.

In order to implement the Company’s Environmental Policy, a long-term OJSC MMK Environmental Programme until 2022 (Order No GD-712 of 24 December 2014) was approved and adopted for implementation. The measures that were introduced through this programme to reduce the Company’s harmful impact on the environment require significant capital investments.

In order to develop the Company’s Environmental Policy, annual targets for environmental protection are established.

### IMPLEMENTATION OF OJSC MMK’S TARGETS IN THE FIELD OF ENVIRONMENTAL PROTECTION FOR 2015

<table>
<thead>
<tr>
<th>No</th>
<th>INDICATOR</th>
<th>Planned for 2015</th>
<th>Actual implementation in 2015</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Key performance indicator: achieving standards for maximum permissible emissions (MPE) no less than, %</td>
<td>100</td>
<td>100</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>Gross emissions of dust no more than, kg per tonne of steel</td>
<td>2.1</td>
<td>2.1</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>Key performance indicator: achieving standards for maximum permissible emissions (MPE) no less than, %</td>
<td>62</td>
<td>89.0</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Key performance indicator: reclamation of land damaged by OJSC MMK’s activities no less than, %</td>
<td>8.45</td>
<td>8.45</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>Proportion of iron-containing waste that is reused no less than, %</td>
<td>82</td>
<td>82</td>
<td>100%</td>
</tr>
<tr>
<td>6</td>
<td>Development of project documentation for the elimination of the East Opencast Pit volume of work, %</td>
<td>100</td>
<td>100</td>
<td>100%</td>
</tr>
<tr>
<td>7</td>
<td>Development of project documentation for the construction of a landfill for the disposal of waste in hazard classes 3-5 volume of work, %</td>
<td>100</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>
Implementation targets are assessed through the Environmental Performance Index, which shows the extent that targets were achieved based on an average of all indicators. In 2015, the Environmental Performance Index was 100%, while the prescribed target value was set at not less than 95%.

In order to achieve the stated environmental targets for the year, OJSC MMK developed an Environmental Programme for 2015. As part of that Programme, MMK implemented 50 specific technical measures (10 are ongoing, while the deadlines for two measures were postponed until a later date), with varying degrees of complexity, aimed at minimising the Company’s environmental impact.

Actual expenses for the implementation of MMK’s 2015 Environmental Programme amounted to RUB 2,709.4 million (including RUB 2,289.4 million for capital construction), where:

- RUB 2,519.8 million was spent on the reduction of emissions into the atmosphere (including capital construction worth RUB 2,223.4 million);
- RUB 121.4 million was spent on the reduction of emissions into surface water (including capital construction worth RUB 10.4 million);
- RUB 68.2 million was spent on industrial waste disposal and reclamation (including capital construction worth RUB 55.5 million).

The effective functioning of OJSC MMK’s environmental management system requires the ongoing support and leadership role of senior management.

The person responsible for the environmental management system is OJSC MMK’s General Director. The person responsible for ensuring environmental oversight over industrial production is the Director for Labour Safety, Industrial Safety and the Environment. The Council on Quality, Environment, Industrial Safety and Labour Safety, which includes the directors in each of these areas, is headed by OJSC MMK’s General Director.

At OJSC MMK, the oversight function for compliance with the requirements of environmental legislation and ISO 14001:2004 international standards is performed by the Environmental Protection Laboratory under the Director for Labour Safety, Industrial Safety and the Environment. A total of 71 staff work at the laboratory.

The Laboratory has been accredited for its technical competence in the Gosstandart accreditation system of analytical laboratories (centres).
### KEY ENVIRONMENTAL PROTECTION MEASURES UNDER MMK’S ENVIRONMENTAL PROGRAMME IMPLEMENTED IN 2015

<table>
<thead>
<tr>
<th>No</th>
<th>SHOP</th>
<th>MEASURE</th>
<th>EXPENSES, RUB million</th>
<th>EFFECT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2015</td>
<td>Since the beginning of construction</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>Development of an automated control system for industrial emissions</td>
<td>45.372</td>
<td>46.072 Prevention of air pollution, implementation of environmental legislation</td>
</tr>
<tr>
<td>2</td>
<td>Sintering Shop</td>
<td>Renovation of Sulphur Catching Unit No 2 <em>(to be completed in 2017)</em></td>
<td>1,648.465</td>
<td>2,049.577 Reduction of overall emissions after implementation to 24,750 t/y</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commissioning of the first absorption system with the decommissioning of old systems Nos 1-5 <em>(completed)</em></td>
<td>65.967</td>
<td>261.934 Reduced emissions of SO(_2) in 2015 by 3,150 t/y, improved working conditions</td>
</tr>
<tr>
<td>3</td>
<td>Sintering Shop</td>
<td>Renovation of Sulphur Catching Unit No 4 <em>(completed)</em></td>
<td>31.833</td>
<td>652.858 Increased capacity of the waste disposal facility, ensuring environmentally safe disposal of waste in hazard classes 4-5</td>
</tr>
<tr>
<td>4</td>
<td>Iron Ore Beneficiation Plant</td>
<td>Renovation of Sludge Depository No 2 <em>(completed)</em></td>
<td>370.871</td>
<td>672.895 Reduced emissions in 2015 of hydrogen cyanide by 97.6 t/y, ammonia by 88 t/y, phenol by 82.7 t/y, benzene by 17 t/y, naphthalene by 13 t/y, hydrogen sulphide by 3 t/y, Improved reliability of equipment</td>
</tr>
<tr>
<td>6</td>
<td>Cogeneration Plant</td>
<td>Technical revamping Boiler No 6 <em>(Heating Plant 10)</em></td>
<td>75.337</td>
<td>171.849 After completion, dust emissions were reduced by 680 t/y, storage of 15,000 t/y of ash (waste hazard class 5) was terminated</td>
</tr>
<tr>
<td>7</td>
<td>Mining Plant</td>
<td>Reclamation of the East Opencast Pit at Magnitnaya Mountain <em>(construction work to ensure the delivery of reclamation materials is expected to be completed in 2018)</em> Design <em>(completed)</em></td>
<td>23.48</td>
<td>23.48 After completion, restoration of 102 hectares of damaged land</td>
</tr>
<tr>
<td>8</td>
<td>Central Water System</td>
<td>Reconstruction of OJSC MMK’s water recycling system with the expansion of the coolant reservoir. Design <em>(to be completed in 2018)</em></td>
<td>8.916</td>
<td>8.916 After completion, water consumption from the Magnitogorsk Reservoir will be reduced</td>
</tr>
</tbody>
</table>
EMISSIONS INTO THE ATMOSPHERE

<table>
<thead>
<tr>
<th>No</th>
<th>POLLUTANT</th>
<th>Volume of pollutants discharged into the atmosphere, tonnes</th>
<th>Change (+/-) tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Particulate matter (dust)</td>
<td>26,827</td>
<td>+585</td>
</tr>
<tr>
<td>2</td>
<td>Nitrogen dioxide</td>
<td>13,036</td>
<td>-2,745</td>
</tr>
<tr>
<td>3</td>
<td>Nitrogen oxides</td>
<td>4,376</td>
<td>-800</td>
</tr>
<tr>
<td>4</td>
<td>Ammonia</td>
<td>432</td>
<td>-76.5</td>
</tr>
<tr>
<td>5</td>
<td>Hydrogen sulphide</td>
<td>61</td>
<td>-3</td>
</tr>
<tr>
<td>6</td>
<td>Sulphur dioxide (SO₂)</td>
<td>17,413</td>
<td>-3,424</td>
</tr>
<tr>
<td>7</td>
<td>Carbon monoxide</td>
<td>154,774</td>
<td>-7,128</td>
</tr>
<tr>
<td>8</td>
<td>Phenol</td>
<td>86</td>
<td>-72</td>
</tr>
<tr>
<td></td>
<td><strong>Total discharge</strong></td>
<td><strong>219,060</strong></td>
<td><strong>-13,717</strong></td>
</tr>
</tbody>
</table>

Total emissions in 2015 amounted to 205.3 thousand tonnes, with emissions per tonne of steel coming to 18.65 kg/t.

Reducing air pollution is a priority for OJSC MMK’s environmental activities. Emissions from the Sintering Shop, Blast Furnace Plant, power plants and from coke production have the most significant impact on the atmosphere. The main pollutants emitted into the atmosphere as a result of OJSC MMK’s production activities include particulate matter (dust), nitrogen dioxide, ammonia, hydrogen sulphide, sulphur dioxide, carbon monoxide and phenol.
### DISCHARGES OF POLLUTANTS INTO SURFACE WATER

#### AMOUNT OF POLLUTANTS DISCHARGED

<table>
<thead>
<tr>
<th>No</th>
<th>ITEM</th>
<th>POLLUTANT</th>
<th>Amount of pollutants discharged into surface water, tonnes</th>
<th>CHANGE (±) tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Ferrum, total</td>
<td>56.3</td>
<td>-18.5</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Manganese</td>
<td>7.1</td>
<td>-1.6</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Petroleum products</td>
<td>42.6</td>
<td>-0.6</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Sulphates</td>
<td>23,347</td>
<td>-2,361</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Fluorides</td>
<td>257</td>
<td>-73</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Zinc</td>
<td>31.0</td>
<td>-17.7</td>
</tr>
<tr>
<td></td>
<td>Total discharge</td>
<td>90,037</td>
<td>77,241</td>
<td>-12,796</td>
</tr>
</tbody>
</table>

In 2015, total discharges into surface water amounted to 77.2 thousand tonnes, with discharges of pollutants per tonne of steel coming to 7.01 kg/t.

#### CHANGES IN DISCHARGES INTO SURFACE WATER

- Gross discharges, 000 tonnes
- Specific discharges, kg/t of steel products
## Waste Management

### Storage Volumes (Accumulation, Disposal) of Wastes Produced in 2015

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Wastes</th>
<th>Waste Storage, tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>class 1</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>class 2</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>class 3</td>
<td>47.5</td>
</tr>
<tr>
<td>4</td>
<td>class 4</td>
<td>71,040</td>
</tr>
<tr>
<td>5</td>
<td>class 5 (without waste ore)</td>
<td>1,332,628</td>
</tr>
<tr>
<td></td>
<td>Total (without waste ore)</td>
<td>1,403,715</td>
</tr>
</tbody>
</table>

In the course of the production process, MMK’s facilities generate industrial wastes from hazard classes 1-5. Throughout 2015, wastes from hazard classes 3, 4 and 5 were placed in specialised facilities for storage and disposal. Wastes from hazard classes 1 and 2 were neutralised.

### Waste Treatment and Management

OJSC MMK pays a lot of attention to its comprehensive work to recycle industrial waste in its own production and to the reclamation of depleted pits at Magnitnaya Mountain.

### Change in Waste Recycling at OJSC MMK

<table>
<thead>
<tr>
<th>Year</th>
<th>Slag and wastes used for reclamation of abandoned open-pit mines at Magnitnaya Mountain, million tonnes</th>
<th>Total sintering slag (operating and dump), million tonnes</th>
<th>Industrial waste used in sinter mix, million tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>10.5</td>
<td>11.6</td>
<td>2.32</td>
</tr>
<tr>
<td>2012</td>
<td>11.3</td>
<td>10.1</td>
<td>2.40</td>
</tr>
<tr>
<td>2013</td>
<td>9.1</td>
<td>11.3</td>
<td>2.37</td>
</tr>
<tr>
<td>2014</td>
<td>9.3</td>
<td>11.2</td>
<td>2.26</td>
</tr>
<tr>
<td>2015</td>
<td>9.8</td>
<td>11.0</td>
<td>2.25</td>
</tr>
</tbody>
</table>
RECYCLING AND WASTE MANAGEMENT AT OJSC MMK

<table>
<thead>
<tr>
<th>No</th>
<th>WASTE TREATMENT AND DISPOSAL</th>
<th>Amount of waste, million tonnes</th>
<th>CHANGE (+/-) tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total sintering slag processed, including:</td>
<td>11.20</td>
<td>11.01 (-) 0.19</td>
</tr>
<tr>
<td></td>
<td>– operating and dump</td>
<td>9.76</td>
<td>9.64 (-) 0.12</td>
</tr>
<tr>
<td></td>
<td>– operating blast-furnace slag</td>
<td>1.44</td>
<td>1.37 (-) 0.05</td>
</tr>
<tr>
<td>2</td>
<td>Shipped to consumers, including:</td>
<td>1.66</td>
<td>1.58 (-) 0.07</td>
</tr>
<tr>
<td></td>
<td>– slag gravel</td>
<td>0.49</td>
<td>0.51 (+) 0.02</td>
</tr>
<tr>
<td></td>
<td>– granulated slag</td>
<td>1.16</td>
<td>1.07 (-) 0.09</td>
</tr>
<tr>
<td>3</td>
<td>Pieces of metal retrieved from slag</td>
<td>1.02</td>
<td>0.94 (-) 0.08</td>
</tr>
<tr>
<td>4</td>
<td>Slag and wastes used for reclamation of abandoned open-pit mines at Magnitnaya Mountain</td>
<td>9.32</td>
<td>9.82 (+) 0.50</td>
</tr>
<tr>
<td>5</td>
<td>Industrial waste used in GOP sinter mix</td>
<td>2.26</td>
<td>2.25 (-) 0.01</td>
</tr>
<tr>
<td>6</td>
<td>Waste oil provided for regeneration (tonnes)</td>
<td>1,565</td>
<td>1,466 (-) 99</td>
</tr>
</tbody>
</table>

RECLAMATION OF DAMAGED LAND

Since 2012, work has been carried out on biological reclamation of damaged land in the West abandoned iron ore pit at Magnitnaya Mountain. Since 2012, a total of 9.6 hectares (including 1.2 hectares in 2015) have been reclaimed, and 3,791 saplings and 4,157 shrubs (including 936 saplings and 1,100 shrubs in 2015) have been planted. The cost of reclamation in 2012-2015 amounted to RUB 41.3 million (including RUB 10.0 million in 2015).

INSPECTIONS BY STATE BODIES REGARDING INCIDENTS AT ENVIRONMENTAL PROTECTION FACILITIES

In 2015, no fines were imposed on the basis of inspections by Russian state bodies. As of 31 December 2015, no legal claims had been filed against OJSC MMK for causing environmental damage.

In 2015, OJSC MMK made payments in the amount of RUB 117.8 million, which was paid in full, for environmental pollution and waste storage, as agreed with the authorised state bodies in the field of environmental protection.
### RESULTS OF LABORATORY TESTING RELATED TO THE WORK OF OJSC MMK’S ENVIRONMENTAL PROTECTION FACILITIES

#### MASS OF KEY POLLUTANT WASTES (BY SEVEN EMISSIONS)

<table>
<thead>
<tr>
<th>No</th>
<th>TYPE OF LABORATORY TESTING</th>
<th>Number of measurements</th>
<th>Number of measurements in excess of requirements</th>
<th>Percentage of measurements beyond requirements, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Control standards for gas-cleaning units</td>
<td>382</td>
<td>358</td>
<td>39</td>
</tr>
<tr>
<td>2</td>
<td>Control standards for wastewater treatment plants</td>
<td>2,940</td>
<td>2,677</td>
<td>67</td>
</tr>
</tbody>
</table>

#### COST OF ENVIRONMENTAL ACTIVITIES

<table>
<thead>
<tr>
<th>No</th>
<th>TYPE OF COST</th>
<th>AMOUNT, RUB millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>1</td>
<td>Capital construction</td>
<td>1,520.0</td>
</tr>
<tr>
<td>2</td>
<td>Capital repairs</td>
<td>78.0</td>
</tr>
<tr>
<td>3</td>
<td>Current (operating costs)</td>
<td>2,588.1</td>
</tr>
<tr>
<td>4</td>
<td>Payment for environmental protection services (functional budget for the Environmental Protection Laboratory, contract with the Chief Power Engineering Department, R&amp;D)</td>
<td>133.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4,320.0</td>
</tr>
</tbody>
</table>

#### ENERGY RESOURCES CONSUMED IN 2015

<table>
<thead>
<tr>
<th>No</th>
<th>DESCRIPTION</th>
<th>UOM</th>
<th>QUANTITY</th>
<th>EXPENSES FOR ENERGY RESOURCES, 000 RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Natural gas</td>
<td>000 m³</td>
<td>3,882,229.1</td>
<td>13,983,955.7</td>
</tr>
<tr>
<td>2</td>
<td>Blast furnace gas</td>
<td>000 m³</td>
<td>13,092,598.9</td>
<td>6,106,931.5</td>
</tr>
<tr>
<td>3</td>
<td>Coke gas</td>
<td>000 m³</td>
<td>2,018,324.4</td>
<td>3,556,852.7</td>
</tr>
<tr>
<td>4</td>
<td>Power-generating coal</td>
<td>tonnes</td>
<td>74,289.0</td>
<td>159,357.6</td>
</tr>
<tr>
<td>5</td>
<td>Diesel fuel</td>
<td>tonnes</td>
<td>28,471.3</td>
<td>779,219.3</td>
</tr>
<tr>
<td>6</td>
<td>Electric energy</td>
<td>000 kWh</td>
<td>7,111,060.5</td>
<td>11,993,270.6</td>
</tr>
<tr>
<td>7</td>
<td>Heat energy contained in steam</td>
<td>Gcal</td>
<td>5,285,167.2</td>
<td>3,705,282.8</td>
</tr>
<tr>
<td>8</td>
<td>Heat energy contained in hot water</td>
<td>Gcal</td>
<td>806,767.1</td>
<td>560,838.8</td>
</tr>
</tbody>
</table>
CORPORATE GOVERNANCE

Statement by the Board of Directors of OJSC MMK on compliance with corporate governance principles:

MMK is committed to meeting high international and national 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 AIMS 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; and
4. Building trusted relations with all key stakeholders, including shareholders, suppliers, customers and employees.

MMK’s corporate governance guidelines and procedures are set forth in the Company’s Corporate Governance Code, which was approved by a decision of the Board of Directors of 21 September 2001 (posted on MMK’s website: http://eng.mmk.ru/corporate_governance/internal_documents/code_of_corporate_governance/).

The basic principles for building relationships with the Company’s shareholders and investors are the protection of shareholder and investor rights; the principle of equal treatment of all shareholders, including minority and foreign shareholders; and the principle of fair management. The Company aims to support activities to protect the environment while new technologies are developed.

To improve the effectiveness of its management, the Company developed a Code of Business Ethics and other internal documents approved by the Board of Directors that specify the fundamental principles of the business (posted on MMK’s website: http://eng.mmk.ru/corporate_governance/internal_documents/group_documents/).

The Company generally adheres to the principles of corporate governance recommended by the Central Bank of Russia on 21 March 2014. The Board of Directors assesses, on an annual basis, the state of corporate governance in the Company, as well as the activities of its Board of Directors and its committees. When making its assessment, each member of the Board of Directors fills out a questionnaire, in which they state whether they feel that the principles of corporate governance are being sufficiently complied with in the Company. They can also write their opinions about the pros and cons of the Company’s approach to corporate governance as a whole and of the work of the Board of Directors and committees, in particular. The results of the assessment are passed on to the Committee for Nominations and Remuneration and published in the annual report.

At the end of 2015, members of the Board of Directors confirmed that the relationship between the Board of Directors and the General Director functioned on the basis of mutual respect and trust. They expressed their appreciation for the distribution of competencies between governing bodies and the organisation of meetings of the Board of Directors’ committees. They expressed complete confidence that they would be able to make their own adjustments in organising the activities of the Board of Directors and of its committees. Members of the Board of Directors believe that there was visible progress compared to the previous year in nearly every assessment criterion.

Board members are confident that OJSC MMK is one of the leading companies in Russia in terms of maintaining high standards of corporate social responsibility.

In addition, the assessment showed that the Board of Directors should continue working to improve the effectiveness of its strategic and corporate management. This requires that more time at meetings be dedicated to issues of strategy and monitoring investment programmes, that criteria be adopted for selection to the Board of Directors, that all members of the Board of Directors dedicate sufficient time to prepare for meetings and participate actively in meetings, and that the Board of Directors be involved more in matters related to assessing, developing and motivating professional top managers.
The Russian Institute of Directors confirmed MMK’s NRKU-8 rating of the best corporate governance practice in July 2015. This means that the Company has low risks related to corporate governance, meets the corporate governance requirements under Russian legislation, follows the majority of recommendations found in the Russian Code of Corporate Behaviour and several recommendations of international best practices in the area of corporate governance.

In December 2015, the awards ceremony for the Director of the Year 2015 National Award took place in Moscow, where several representatives of OJSC MMK were honoured.

THE AWARD WINNERS WERE:

Chairman of the Board of Directors Victor Rashnikov for the 25 Best Board Chairmen.

Independent member of the Board of Directors Kirill Liovin for the 50 Best Independent Directors.

Corporate Secretary Valentina Khavanceva in the category of the 25 Best Corporate Governance Directors and Corporate Secretaries.
According to OJSC MMK’s Charter, the General Shareholders’ Meeting is the Company’s supreme governing 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 by the Company’s executive bodies adopted by the Board of Directors or the General Shareholders’ Meeting. The procedure for convening and holding General Shareholders’ Meetings is governed by the Regulations on the General Shareholders’ Meeting.

The Board of Directors includes 10 people. Candidates to the Board of Directors are elected by cumulative voting. Meetings of the Board of Directors are convened by the Chairman of the Board of Directors and held both in person and in the form of absentee voting. The operation of the Board of Directors is determined by the Regulations on the Board of Directors. The Board of Directors includes three committees: the Committee for Strategic Planning, the Committee for Audit and the Committee for Nominations and Remuneration. The operation of the committees is governed by the Regulations on the Committees.

The Board of Directors is accountable to the General Shareholders’ Meeting. Independent directors are elected annually to the Board of Directors. During the Annual General Shareholders’ Meeting held on 29 May 2015, four independent directors were elected to the Board of Directors — Ruben Aganbegyan, Kirill Liovin, Valeriy Martsinovich and Ralph Morgan — who meet all the features of independence set out in the Code of Corporate Governance.

The Company’s executive bodies are the Management Board and the sole executive body, i.e. the General Director. The activities of the executive bodies are governed by the Regulations on the Management Board and the Regulations on the Sole Executive Body, the General Director.

The executive bodies regularly report at meetings of the Board of Directors in accordance with the approved plan of operation of the Board of Directors.

The competence of the Company’s management bodies is set forth in OJSC MMK’s Charter.

To exercise control over the Company’s financial and economic activities, the General Shareholders’ Meeting elects the Audit Commission, in accordance with the Company’s Charter. The Audit Commission carries out its activities in accordance with the Regulations on the Audit Commission.

Verification of the Company’s financial and economic activities is performed by the Company’s Auditor, which is selected annually by the General Shareholders’ Meeting. The selection of the candidate auditor is managed by the Committee for Audit, which takes decisions on the need to change the Auditor, arranges a tender and recommends candidates for Auditor to the Board of Directors and the General Shareholders’ Meeting. The Auditor is selected from among internationally recognised independent auditors with a solid professional reputation.

For the purpose of internal control over the Company’s financial and economic activities (including the performance of the financial and economic plan by the Company’s management bodies and structural subdivisions), conducting an independent evaluation (internal audit) of OJSC MMK’s internal oversight systems (including financial reporting), risk management and corporate governance for compliance with established principles, the Company created an oversight unit that is independent of the executive body, the Internal Audit Office (IAO).

The IAO (in accordance with staffing regulations) has five employees.

Reporting on the results of the activities of the IAO is submitted to the Board of Directors and the Committee for Audit of the Board of Directors of OJSC MMK on a quarterly basis in accordance with the approved work plan.

The Company adopted an internal audit policy that determines OJSC MMK’s objectives, key principles and lines of activity in the field of internal audit.

The Company also approved a policy of internal control that determines OJSC MMK’s objectives, key principles and lines of activity in the field of the establishment and operation of the internal control system.
Oversight over the elimination of violations identified by the Auditor or the Audit Commission during an audit of the financial and economic activities of the Company is performed by the Committee for Audit of the Board of Directors.

The Company publishes a Sustainability Report in the field of social and environmental responsibility that is drawn up in accordance with internationally recognised standards (GRI).

The Company is constantly striving to improve its corporate governance and to ensure maximum compliance with the corporate governance principles recommended by the Corporate Governance Code. The Board of Directors approves programmes to improve corporate governance. On 26 December 2014, a new programme to improve corporate governance was approved, which covers the period up to 2017 (http://eng.mmk.ru/corporate_governance/internal_documents/group_documents/).

In addition to the mechanisms and instruments of corporate governance recommended by the Corporate Governance Code, the Company also uses others:

1. The Company has formed a collective executive body, the Management Board, the main functions of which are the review of MMK Group’s financial and economic plan (budget), forecasting the financial and economic indicators for the Group, approval of representatives in MMK Group’s companies and approval of directives to the representatives to take decisions at general meetings of shareholders (participants) and meetings of the Board of Directors.

2. To improve manageability in the companies of MMK Group, the Group has representatives in Group companies. The representatives perform their activities on the basis of the Regulations on the Representatives approved by the General Director of the Company and in accordance with the directives approved by OJSC MMK’s Management Board.

3. The Board of Directors takes decisions not only on those transactions that are provided for by the legislation of the Russian Federation, but also on transactions with a value of more than 10% of the book value of the Company’s assets, as well as on transactions on the disposition of immovable property regardless of the transaction value.

4. The Board of Directors performs an annual assessment of the state of corporate governance at OJSC MMK and of the operations of the Board of Directors and its committees. The criteria for such an assessment, the analysis of the assessment and the conclusions of the assessment are adopted by the Committee for Nominations and Remuneration.

INFORMATION ABOUT CHANGES IN MEMBERSHIP OF THE BOARD OF DIRECTORS IN 2015

During OJSC MMK’s General Shareholders’ Meeting held on 29 May 2015, the following two directors, out of 10, were elected for the first time:

1. Ralph Morgan (meeting the criteria of an independent director);
2. and Sergey Sulimov – Deputy General Director of OJSC MMK for Finance and Economics.

The following members of the Board of Directors elected in 2014 were not re-elected:

1. Peter Charow (independent director);
2. Vitaly Bakhmeteyev.

Functions of the Chairman of the Company's Board of Directors.
Pursuant to Article 7 of the Regulations on the Board of Directors of OJSC MMK, the following functions of the Chairman of the Company's Board of Directors were approved by General Shareholders’ Meeting Decision No 41 of 29 May 2015 (http://eng.mmk.ru/corporate_governance/internal_documents/regulations_approved/).
COMMITTEES OF THE BOARD OF DIRECTORS

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

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

These committees submit performance reports to the Board of Directors not later than thirty business days before the date of the Annual General Shareholders’ Meeting.

<table>
<thead>
<tr>
<th>Committee for Audit</th>
<th>Committee for Nominations and Remuneration</th>
<th>Committee for Strategic Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Selection of the independent Auditor.</td>
<td>– Approval of long-term plans, programmes, policies and key guidelines of the Company and of the Group as a whole, amendments to such documents and monitoring of implementation thereof with regard to: human resources policy, as well as management structure, motivation and wage policy, and corporate governance.</td>
<td>– Determination of prioritised areas of activity and development strategy for the Company and the Group as a whole.</td>
</tr>
<tr>
<td>– Supervision of the Company’s financial and business activities.</td>
<td>– Review of proposals from shareholders on the nomination of candidates to the Board of Directors, the Committee for Audit and the position of the Company’s General Director.</td>
<td>– Approval of long-term plans, programmes, policies and guidelines for the Company and Group companies, introduction of amendments to such documents, monitoring their implementation in the areas of: investment, innovation and integration activities; determination of prioritised areas of activity regarding sales and procurement, production activities, placement and borrowing of funds, property management, social policy, management of Group companies, investor relations, etc.</td>
</tr>
<tr>
<td>– Interaction with the Company’s Auditor.</td>
<td>– Making recommendations to the Board regarding remuneration and compensation for members of the Board of Directors (including executive directors of the Board) and members of the Company’s Committee for Audit.</td>
<td>– Approval of the Company’s financial and business operations plan (budget) for the financial year and supervision of its implementation.</td>
</tr>
<tr>
<td>– Oversight over the reliability and efficiency of the risk management and internal control system.</td>
<td>– Approval of the Company’s corporate key performance indicators.</td>
<td>– Calling of Annual and Extraordinary General Shareholders’ Meetings.</td>
</tr>
<tr>
<td>– Independent supervision of the financial reporting internal control system and evaluation of performance of the Company’s financial reporting internal control system.</td>
<td>– Preliminary review of candidates for positions of members of the Company’s Board of Directors, the Committee for Audit and the Company’s General Director and presentation (formulation) of relevant recommendations to the Board of Directors.</td>
<td>– Preparation of recommendations for the General Shareholders’ Meeting on profit distribution.</td>
</tr>
<tr>
<td>– Making recommendations to the Board of Directors for decision-making on risk management, implementation of oversight over the functioning of the Company’s risk management system and analysis of the effectiveness of risk management.</td>
<td>– Other functions.</td>
<td>– Supervision of execution of resolutions of the Board of Directors by the Company’s governing bodies.</td>
</tr>
<tr>
<td>– Reviewing and making recommendations to the Board of Directors on the approval of long-term plans, programmes, policies and guidelines, introduction of amendments to such documents, and performance oversight regarding industrial and labour safety and environmental protection for the Company and Group companies.</td>
<td>– Approval of the Company’s financial and business operations plan for the financial year and supervision of its implementation.</td>
<td>– Adoption of the Report of the Board of Directors on the results of priority activities.</td>
</tr>
<tr>
<td>– Other functions.</td>
<td>– Other functions.</td>
<td>– Other functions.</td>
</tr>
<tr>
<td>Committee members</td>
<td>2015</td>
<td>2015</td>
</tr>
<tr>
<td>-------------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Chairman</td>
<td>Kirill Liovin</td>
<td>Valeriy Martsinovich</td>
</tr>
<tr>
<td>Members</td>
<td>Ruben Aganbegyan (independent director) Ralph Morgan (independent director) Zumrud Rustamova (non-executive director)</td>
<td>Ralph Morgan (independent director) Nikolai Lyadov Olga Rashnikova Sergey Sulimov Pavel Shilyaev</td>
</tr>
<tr>
<td>Total meetings in 2015</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

### Key issues

- Efficiency of the internal control system (including the system of internal control over financial reporting) within MMK and the MMK Group.
- Internal audit of MMK and the MMK Group.
- Outcome report on the review of OJSC MMK's consolidated financial accounts carried out by JSC PricewaterhouseCoopers Audit (IFRS-based).
- Determination of the amount of remuneration for MMK's Auditor, recommendations to the Annual General Shareholders' Meeting regarding a candidate for the position of Auditor.
- Improvement of the Company's and the Group's industrial and labour safety management system.
- Implementation of MMK's Environmental Programme. MMK Group's Environmental Policy.
- Consideration of proposals submitted by shareholders regarding candidates for the Board of Directors and Audit Commission, and inclusion of such candidates on the voting ballot for elections to the Board of Directors and Audit Commission.
- Recommendations to the Annual General Shareholders' Meeting regarding the amount of remuneration and compensation payable to the members of the Board of Directors and the Audit Commission.
- Implementation of the guidelines for the HR policy within MMK and companies of MMK Group, approval of key guidelines for the HR policy within MMK and companies of MMK Group for 2016.
- Analysis of the results of the financial and business activities of MMK and MMK Group.
- Approval of the financial and business operations plan (budget) for MMK and MMK Group for the 2016 financial year.
- Implementation and approval of guidelines for sales, raising and investment of funds, social policy, property management, procurement policy, innovations, production programme, investor relations, etc.
- Approval of MMK Group's Strategic Development Plan.
- Implementation of guidelines for the management of Group companies.
- Calling and holding the Annual General Shareholders’ Meeting.
- Approval of the Report of the Board of Directors on the results of priority activities.
- Implementation of measures aimed at reducing costs at MMK for improving operational and functional efficiency.

Regulations: http://eng.mmk.ru/corporate_governance/internal_documents/group_documents/
<table>
<thead>
<tr>
<th>Full Name</th>
<th>Board of Directors Meetings</th>
<th>Meetings of the Committee for Audit</th>
<th>Meetings of the Committee for Nominations and Remuneration</th>
<th>Meetings of the Committee for Strategic Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Participation in meetings</td>
<td>Total meetings</td>
<td>Participation in meetings</td>
<td>Total meetings</td>
</tr>
<tr>
<td>Victor Rashnikov</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ruben Aganbegyan</td>
<td>14</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vitaly Bakhmetyev</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kirill Liovin</td>
<td>16</td>
<td>10</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Nikolai Lyadov</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valery Martsinovich</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ralph Morgan</td>
<td>11</td>
<td>7</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Olga Rashnikova</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zumrud Rustamova</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sergey Sulimov</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Charow</td>
<td>5</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pavel Shilyaev</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Vitaly Bakhmetyev and Peter Charow were part of OJSC MMK’s Board of Directors until 29 May 2015.
* Mr Bakhmetyev was appointed acting mayor of Magnitogorsk (Magnitogorsk City Council Decision No 233 of 25 December 2014).
** Ralph Morgan and Sergey Sulimov joined OJSC MMK’s Board of Directors on 29 May 2015.
*** Kirill Liovin was a member of the Board of Directors’ Committee on Nominations and Remuneration until 29 May 2015.
INFORMATION ABOUT THE MEMBERS OF THE BOARD OF DIRECTORS
(BACKGROUND PROFILE AND SHAREHOLDINGS WITHIN THE FINANCIAL YEAR)

MEMBERS OF THE BOARD OF DIRECTORS
(as of 1 January 2016)

VICTOR RASHNIKOV (Born in 1948) – Chairman of the OJSC MMK Board of Directors; Russian citizen; member of the Board of Directors since 2 February 1993; President of the Metallurg Ice Hockey Club since 1999; since 2005, member of the Board of Directors of the World Steel Association (formerly International Iron and Steel Institute); since 2008 member of the Management Board of Directors of the LLC Continental Hockey League; since 2011, member of the Supervisory Board of the partnership Konsortsiyum Russkaya Stal; since 2011, Chairman of the Board of Directors of MMK Metalurji Sanayi, Ticaret ve Liman İşletmeciliği Anonim Şirketi; and member of the Chelyabinsk Region’s Legislative Assembly.

Education: Graduate of the Magnitogorsk Institute of Mining and Metallurgy in metallurgical engineering (1974), graduate of the Magnitogorsk Academy of Mining and Metallurgy in management (1993), PhD, Professor.

ZUMRUD RUSTAMOVA (born in 1970) – Deputy CEO of OJSC Polymetal UK; Russian citizen; member of the OJSC MMK Board of Directors since 21 April 2006; since 2009, Deputy CEO (part-time) of OJSC Polymetal; since 2011, member of the Board of Directors of OJSC PIK Group; since 2012, Deputy CEO (part-time) of ICT Group; since 2014, member of the Board of the Polytechnical Museum Development Fund; since 2012, member of the Board of Directors of United Wagon Company LLC.

Non-executive director of OJSC MMK.

RUBEN AGANBEGYAN (born in 1972) – President, Chairman of the Board of Directors of Otkrytie Holding OJSC; Russian citizen; member of MMK’s Board of Directors since 30 May 2014; since 2012, member of the Board of Directors of the statutory self-regulatory (non-profit) organisation National Association of Securities Market Participants (NAUFOR), member of the Management Board of the Russian public organisation Russian Union of Industrialists and Entrepreneurs (RSPP LLC); since 2013, member of the Board of Directors of Rostelecom OJSC, Chairman of the Supervisory Board of PJSC Bank FC Otkrytie; since 2014, member of the Board of Trustees of the Russian Academy of National Economy and Public Administration under the President of the Russian Federation (RANHiGS) and a member of the Coordination Board of the all-Russian public organisation Business Russia; since 2015, Chairman of Board of Directors of National Bank Trust.

Education: Graduate of the Moscow State Law Academy.
Meets the criteria of independency specified in OJSC MMK’s internal documents.

KIRILL LIOVIN (born in 1968) – member of the Management Board of Rosselkhozbank OJSC; Russian citizen; member of MMK’s Board of Directors since 30 May 2014; since 2014, member of the Board of Directors of OJSC Belgazprombank.

Education: Graduate of the Moscow Aviation Institute in economics and management of scientific research and design.
Meets the criteria of independency specified in OJSC MMK’s internal documents.
VALERIY MARTSINOVICH (born in 1973) – since 2014, Strategic Director at Hay Group LLC for rapidly emerging markets in the European cluster; citizen of Poland; member of MMK’s Board of Directors since 30 May 2014.

Education: Graduate of Gdańsk University (Poland), Master’s Degree in economics. Post-graduate studies in Investment Banking at London Guildhall University (1996–1997). Meets the criteria of independency specified in OJSC MMK’s internal documents.

RALPH MORGAN (born in 1968) – Department Director at Baring Vostok Capital Partners Group Limited; since 2014 Non-executive Director at Tigers Realm Coal LTD; citizen of USA; member of the Board of Directors of OJSC MMK since 2015.

Education: Graduate of Yale University, Bachelor of Arts in Political Science and International Relations; St Antony’s College, Oxford University, Master’s in Russian and East European Economics and Law. Meets the criteria of independency specified in OJSC MMK’s internal documents.

NIKOLAI LYADOV (born in 1956) – since 2011, MMK’s Deputy General Director for Sales; Russian citizen; since 2011, member of MMK’s Board of Directors.

Education: Graduate of the Magnitogorsk Institute of Mining and Metallurgy, specialising in transport organisation and administration.

OLGA RASHNIKOVA (born 1977) – Finance Director of OJSC MMK; Russian citizen; since 2011, member of the Board of Directors of OJSC Credit Ural Bank; since 2012, member of MMK’s Board of Directors.

Education: Graduate of Franklin College, Lugano, Switzerland, in economics, finance and enterprise management (2000); MBA (executive class) from the State Management University, Moscow (2009).

SERGEY SULIMOV (born in 1978) – Deputy General Director of OJSC MMK for Finance and Economy; Russian citizen; member of the Management Board of OJSC MMK; since 2015, member of the Board of Directors of OJSC MMK.

Education: Finance Academy under the Government of Russian Federation, crisis management, 2000. In 2005, received an MBA from the INSEAD international business school (France). Until 1 December 2015, owned 22,400 (0.0002%) ordinary registered shares in OJSC MMK.

PAVEL SHILYAEV (born in 1970) – since 2014, member of the Board of Directors and General Director of OJSC MMK; Chairman of the Management Board of OJSC MMK; Russian citizen; since 2013, member of the Board of Directors of MMK Metalurji Sanayi, Ticaret ve Liman İşletmeciliği Anonim Şirketi; since 2012, member of MMK’s Management Board.

Education: Graduate of Chelyabinsk State Technical University with a degree in electric drive and industrial automation, 1992. In 2006, he completed courses in performance management at the Stockholm School of Economics in Russia (St Petersburg). Candidate of Engineering Sciences.

No members of the Board of Directors held MMK shares as of 31 December 2015.
REPORT OF THE BOARD OF DIRECTORS
ON THE RESULTS OF PRIORITY ACTIVITIES FOR 2015

In 2015, the Board of Directors approved the Strategic Development Plan for MMK Group for the period up to 2025, identified priority areas for the development of MMK Group, and developed and approved a portfolio of strategic initiatives. During the reporting period, the Company took measures in the following areas of activity:

1. Safe production
2. Strengthening its position in priority markets;
3. Improving operational and functional efficiency;
4. Increasing investment attractiveness;
5. Professional development of staff; and

In 2015, the Board of Directors held 16 meetings and voted on 128 issues. The most important issues considered by the Board of Directors were:

1. Approvals of long-term plans, programmes, policies, reports and key areas of activity of the Company and the Group in accordance with paragraph 11.13.2 of OJSC MMK’s Charter and the main directions of the Strategic Development Plan;
2. Definitions of the Company’s financial and economic policy (monitoring of execution and approval of OJSC MMK’s financial and economic plan and that of Group companies, and approval of guidelines for fundraising and placement).
3. Approval of interested-party transactions.
4. Participation, change in the share of participation, termination of the participation of OJSC MMK in other companies.
5. Improvement of management systems.

In accordance with the Federal Law on Joint Stock Companies, the Board of Directors performs general management of the Company, ensures the rights of shareholders, determines the Company’s development strategy, and takes decisions on the Company’s financial and business issues and other matters stipulated by law and the Company’s Charter.

In the reporting year, activities continued as part of the Programme for the Improvement of OJSC MMK’s Corporate Governance until 2017, which was approved by the OJSC MMK Board of Directors on 26 September 2014 (Minutes No 8). The Annual General Shareholders’ Meeting of OJSC MMK on 29 May 2015 (Minutes No 41) approved a new version of the Regulations on the General Shareholders’ Meeting of OJSC MMK and the Regulations on the Board of Directors of OJSC MMK.

On 31 August 2015, OJSC MMK’s shares were added to Moscow Exchange’s Level 1 quotation list. Work continued throughout 2015 to ensure that this Level 1 listing (the highest possible) was maintained and that the Company also maintained its rating of Corporate Governance Best Practices according to RID.

All the activities of the Board of Directors and the Company in the reporting year remain transparent to shareholders and other interested parties, and information about said activities is disclosed appropriately and in full.

INFORMATION ON THE PERSON PERFORMING THE FUNCTIONS OF THE COMPANY’S SOLE EXECUTIVE BODY AND THE HOLDING OF SHARES WITHIN THE FINANCIAL YEAR

PAVEL SHILYAEV (born in 1970) – since 2014, member of the Board of Directors and General Director of OJSC MMK; Chairman of the Management Board of OJSC MMK; Russian Citizen; since 2013, member of the Board of Directors of MMK Metalurji Sanayi, Ticaret ve Liman İşletmeclistiği Anonim Şirketi; since 2012, member of MMK’s Management Board.

Holds no shares of OJSC MMK.

Education: Graduate of Chelyabinsk State Technical University with a degree in electric drive and industrial automation, 1992.
In 2006, he completed courses in performance management at the Stockholm School of Economics in Russia (St Petersburg).
Candidate of Engineering Sciences.
INFORMATION ON MMK’S MANAGEMENT BOARD

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

In 2015, the Management Board held 33 meetings, which reviewed the following issues:

- Results of MMK Group’s financial and business activities;
- Key figures related to MMK Group’s financial and business operations plan (budget);
- Performance reports by the companies of MMK Group on their production, financial and economic activities;
- Business processes within MMK Group by areas of activity; and
- Approval of the Company’s representatives and instructions for the Company’s representatives to the companies of MMK Group.

<table>
<thead>
<tr>
<th>MMK MANAGEMENT BOARD</th>
<th>(as of 31 December 2015)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership 13 members</td>
<td></td>
</tr>
<tr>
<td><strong>Chairman</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Pavel Shilyaev</strong></td>
<td>(born in 1970) – CEO; member of Management Board since 25 May 2012. <strong>Education:</strong> graduated from the Chelyabinsk State Technological University with a degree in electrical actuation and industrial automation (1992); in 2006, he completed a course in performance management at the Stockholm School of Economics in Russia (St. Petersburg)</td>
</tr>
<tr>
<td><strong>Members of the Management Board</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Sergey Laskov</strong></td>
<td>(born in 1963) – Deputy CEO for Production; member of Management Board since 25 December 2012. <strong>Education:</strong> graduated from the Magnitogorsk Institute of Mining and Metallurgy with an engineering degree in metal heat treatment (1985).</td>
</tr>
<tr>
<td><strong>Sergey Sulimov</strong></td>
<td>(born in 1978) – Deputy CEO for Finance and Economy, member of Management Board since 22 November 2013. <strong>Education:</strong> Honorary degree in finance and credit from the Financial University under the Government of the Russian Federation (2000). In 2005, Sergey completed an MBA at INSEAD international business school (France).</td>
</tr>
</tbody>
</table>
### Members of the Management Board

**Nikolai Anashkov** (born in 1964) – Director for Domestic Sales; member of Management Board since 30 May 2014.  
**Education:** graduated from the Magnitogorsk Institute of Mining and Metallurgy with a degree in electrical actuation and industrial automation (1987) and a degree in economics and management in metallurgy (1993). In 1996, Nikolai graduated from the Open University (UK) with a degree in the management of finance and economics. In 1999, he completed additional training in international marketing at the Moscow State Aviation Institute. Nikolai holds diplomas as a member of the President’s Programme and Programme for the Training of Executive Personnel for Russian Organizations.

**Andrey Eremin** (born in 1972) – Director for Economics, member of Management Board since 25 May 2012.  
**Education:** graduated from the State Academy of Management with a degree in economics and management in the metal industry (1995) and of the Academy of National Economy under the Government of the Russian Federation, where he completed the MBA programme “Euromanagement – Master of Business Administration”.

**Oleg Kiykov** (born in 1961) – Director for Human Resources, member of Management Board since 25 May 2012.  
**Education:** graduated from the Kuibyshev Aviation Institute with a degree in aircraft engineering (1985).

**Sergey Krivoshchekov** (born in 1961) – Director for Corporate Affairs and Social Programmes, member of Management Board since 25 May 2012.  
**Education:** graduated from the Magnitogorsk Institute of Mining and Metallurgy with a degree in plastic metal working (1983). PhD, Economics.

**Maxim Lapin** (born in 1979) – Head of Department for Business Development and Performance Management, member of Management Board since 30 May 2014.  
**Education:** Honorary degree in accounting, audit and analysis from the Moscow State University (2001). In 2003 Maxim received a Master of Science degree in Financial Economics from the Moscow State University. In 2007, he completed an MBA in Corporate Finance at Columbia Business School (New York, USA).

**Alexander Nenashev** (born in 1955) – Director for Security, member of Management Board since 30 May 2014.  
**Education:** Graduate of the Magnitogorsk Institute of Mining and Metallurgy with a degree in metallurgy of ferrous metals (1977).

**Education:** graduated from the Magnitogorsk State Technical University with a degree in economics and management in the metals industry (2001), and of the Finance Academy under the Government of the Russian Federation with a degree in financial management (2005).

**Sergey Shepilov** (born in 1971) – Chief Legal Officer, member of Management Board since 25 May 2012.  
**Education:** Graduate of the Magnitogorsk Mining and Metallurgy Institute with a degree in electrical actuation and industrial automation (1994) and of the Urals Public Administration Academy with a degree in law (1998)

* Dmitry Usanov, Vitaly Bakhmetyev, Marina Zhemchueva and Sergey Unru were members of the Management Board until 13 February 2015.
REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY’S MANAGEMENT

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

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 their duties as members of the Board of Directors during their term of office according to a resolution of the General Shareholders’ Meeting. The amount of such remuneration and compensation is determined by the General Shareholders’ Meeting.

CRITERIA FOR DETERMINING REMUNERATION

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 of OJSC MMK.

The amount of remuneration and reimbursement of expenses of members of OJSC MMK’s Board of Directors is approved by the General Shareholders’ Meeting on an annual basis according to recommendations made by the Board of Directors.

OJSC MMK compensates documented expenses of members of the Board of Directors related to performance of their duties as a member of the Board of Directors (travel expenses, including accommodations; communication and mail expenses).

In 2015, the amount of remuneration and reimbursement of expenses for members of OJSC MMK’s Board of Directors totalled RUB 53,876,500, including RUB 52,131,300 for remuneration for participation in the activities of the Company’s governing bodies and RUB 1,745,200 for reimbursement of expenses.

REMUNERATION OF MEMBERS OF OJSC MMK’S MANAGEMENT BOARD

OJSC MMK’s Management Board includes the CEO of OJSC MMK and the top managers of OJSC MMK.

Board members, during the period in which they perform their duties as members of the MMK Management Board, are not paid a separate fee and do not receive reimbursement of expenses as members of the Board. Board members are paid wages for the performance of their official duties within OJSC MMK. Remuneration (wages) of the General Director of OJSC MMK and of the top managers includes their monthly salary, a regional coefficient and an annual bonus.

Remuneration of Board members in 2015 amounted to RUB 370,915,500, including an annual bonus in the amount of RUB 158,830,400.

INFORMATION ON THE CORPORATE SECRETARY

VALENTINA KHAVANCEVA (born in 1961), since 2005, Corporate Secretary of OJSC MMK; Russian citizen.

Holds no shares of OJSC MMK.

INFORMATION ABOUT TRANSACTIONS FOR THE ACQUISITION AND DISPOSAL OF SHARES OF OJSC MMK EFFECTED BY A PERSON PERFORMING THE FUNCTIONS OF THE COMPANY’S SOLE EXECUTIVE BODY, MEMBERS OF THE MANAGEMENT BOARD AND/OR MEMBERS OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>No</th>
<th>Full name</th>
<th>Job Title</th>
<th>Date of transaction</th>
<th>Subject of transaction</th>
<th>Type of shares</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sergey Sulimov</td>
<td>Member of the Board of Directors of OJSC MMK, member of the Management Board of OJSC MMK</td>
<td>1 December 2015</td>
<td>Disposal of shares</td>
<td>registered ordinary shares</td>
<td>22,400</td>
</tr>
<tr>
<td>2</td>
<td>Maxim Lapin</td>
<td>Member of OJSC MMK Management Board</td>
<td>9 December 2015</td>
<td>Disposal of shares</td>
<td>registered ordinary shares</td>
<td>120,000</td>
</tr>
</tbody>
</table>

No other members of the Board of Directors or the Management Board of MMK OJSC hold MMK shares.
As of 31 December 2015, no members of the Management Board of MMK OJSC held MMK shares.

INFORMATION ON THE AUDIT COMMISSION

<table>
<thead>
<tr>
<th>Functions</th>
<th>Internal audit of the Company’s financial and business operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission composition</td>
<td>4 members</td>
</tr>
<tr>
<td>Chairman</td>
<td>Andrey Fokin (born 1980) until 31 July 2015 *</td>
</tr>
<tr>
<td>Members</td>
<td>Galina Akimova (born in 1969)</td>
</tr>
<tr>
<td></td>
<td>Oksana Dyuldina (born in 1971)</td>
</tr>
<tr>
<td>Remuneration of the Audit Commission</td>
<td>On 29 May 2015, MMK’s Annual General Shareholders’ Meeting approved remuneration and compensation for members of the Audit Commission totalling RUB 18 million</td>
</tr>
<tr>
<td>Regulations</td>
<td><a href="http://eng.mmk.ru/corporate_governance/internal_documents/">http://eng.mmk.ru/corporate_governance/internal_documents/</a></td>
</tr>
</tbody>
</table>

* – Audit Commission Chairman Andrey Fokin resigned on 31 July 2015, and Alexander Maslennikov was elected Chairman of the Audit Commission.
INFORMATION FOR SHAREHOLDERS AND INVESTORS

INFORMATION ON THE COMPANY’S REGISTRAR
Registrar Company STATUS (licence # 10-000-1-00304, issued for an indefinite period on 12 March 2004 by the Federal Agency for Financial Markets) is responsible for maintaining OJSC MMK’s share register.

The Registrar’s registered office is located at:
Ul. Novorogozhskaya 32, Building 1, Moscow, 109544, Russian Federation
Tel.: (495) 974-83-50
Fax: (495) 678-71-10
E-mail: office@rostatus.ru

Magnitogorsk Branch of STATUS:
Ul. Zavenyagina 9, Magnitogorsk, 455049, Chelyabinsk Region, Russian Federation
Tel.: (3519) 25-60-22, 25-60-23

INFORMATION ON CHANGES IN EQUITY DURING THE YEAR
MMK’s authorised capital totals RUB 11,174,330,000 and is comprised of 11,174,330,000 ordinary registered shares with a par value of 1 rouble each. All shares are placed securities. The Company is entitled to place, in addition to those already placed, ordinary shares amounting to 26,299,840,577 shares, with a par value of 1 rouble each (declared shares). Declared ordinary shares grant the same rights as placed ordinary shares.

<table>
<thead>
<tr>
<th>Title</th>
<th>Share, % of authorised capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mintha Holding Limited*</td>
<td>87.26%</td>
</tr>
<tr>
<td>The Bank of New York Mellon</td>
<td>4.88%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>7.86%</td>
</tr>
<tr>
<td>Total shares</td>
<td>100%</td>
</tr>
</tbody>
</table>

*The Chairman of OJSC MMK’s Board of Directors, Victor Rashnikov, is the beneficiary of Mintha Holding Ltd.

MMK’s management is not aware of any shareholders holding over 5% of the Company’s shares other than those disclosed above.

REPORT ON THE PAYMENT OF ANNOUNCED (ACCRUED) DIVIDENDS ON 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 online at the following address: http://eng.mmk.ru/corporate_governance/internal_documents/group_documents/.

The Board of Directors of MMK on 17 August 2015 recommended that an EGSM of MMK approve a dividend payout based on results for H1 2015 in the amount of RUB 0.58 per share.

On 28 September 2015, an EGSM of MMK approved the payout of dividends in the amount recommended by the Board of Directors of MMK.

The dividend was paid in the term stipulated by law: to nominal shareholders of MMK and trust managers by 23 October 2015 and to other shareholders in the register of shareholders by 16 November 2015.
### DIVIDEND PAYOUTS FOR MMK SHARES *

<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 IFRS net profit</th>
<th>Dividend yield according to share price at year-end, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.330</td>
<td>3,687,528.90 RUB ths</td>
<td>57%</td>
<td>1.01%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>131,882.10 USD ths</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>0.000</td>
<td>0.00 RUB ths</td>
<td>0%</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00 USD ths</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>0.280</td>
<td>3,128,812.40 RUB ths</td>
<td>–</td>
<td>2.68%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>103,013.97 USD ths</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>0.000</td>
<td>0.00 RUB ths</td>
<td>0%</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00 USD ths</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>0.580</td>
<td>6,481,111.40 RUB ths</td>
<td>–</td>
<td>5.53%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>118,283.13 USD ths</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>0.580</td>
<td>6,481,111.40 RUB ths</td>
<td>21%</td>
<td>3.14%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>98,688.06 USD ths</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* – A detailed report on dividends per share can be found online at: [http://eng.mmk.ru/for_investor/shares/dividends/](http://eng.mmk.ru/for_investor/shares/dividends/).

---

### MMK SHARES

MMK Global Depositary Receipts (“GDRs”) and shares are traded on the London Stock Exchange and the Moscow Exchange. In 2015, MMK’s share price increased by approximately 39%, which was one of the best results in the entire global steel industry.

### TRADING IN MMK SHARES

Shares and GDRs of OJSC MMK are traded on the Moscow Exchange (MOEX) and are listed on the London Stock Exchange (LSE).

<table>
<thead>
<tr>
<th>Stock exchange</th>
<th>Issuer code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow Exchange, Moscow</td>
<td>MAGN</td>
</tr>
<tr>
<td>LSE, London</td>
<td>MMK</td>
</tr>
</tbody>
</table>

On the London Stock Exchange, MMK shares are traded in the form of Global Depositary Receipts (GDRs). One GDR represents 13 ordinary shares. MMK’s free float is approximately 12.7%.

Some 89% of the trading volume in 2015 was on the Moscow Exchange, with the remaining 11% coming from the LSE. A total of 6.9 billion shares were traded on both exchanges, which corresponds to 61.4% of the total number of outstanding shares. On average, there was a total of 7.6 million trades per session of trading in MMK shares, a 90% increase over 2014.
PRICE TRENDS AND DIVIDENDS

The price of MMK GDRs on the LSE rose by 39% in 2015, compared with the FTSE 250 Index, which increased by only 8.4% and the MICEX index, which was up by 26.1%.

This trend in the Company’s share price was the result of favourable conditions in core markets, a reduction in the cost of basic raw materials, improved margins, reduced debt and improvements in the Company’s communications with the investment community.

As of the end of 2015, the price of one MMK GDR on the LSE was USD 3.335, which corresponds to a market capitalisation of USD 2.9 billion.

At the end of 2015, the Board of Directors recommended that the General Meeting of Shareholders pay out dividends in the amount of RUB 0.31 (USD 0.0045 as of 1 April 2016) per outstanding ordinary share (with considering dividends paid on MMK’s outstanding ordinary shares for 6M 2015 in the amount of RUB 0.58).

SHAREHOLDER EQUITY STRUCTURE

According to the available information, Mr. Victor Rashnikov is the beneficiary owner of the Mintha Holding Limited Company and controls 87.26% of its stock.

5.3% of the Company’s stock was traded as GDR listed on LSE

INFORMATION FOR SHAREHOLDERS AVAILABLE ON THE COMPANY’S WEBSITE

MMK’s website, www.mmk.ru, provides general information about the Company, its share price, financial reports, a list of analysts covering MMK and contact information. Corporate presentations and financial statements can also be found on the site.

<table>
<thead>
<tr>
<th>The MMK GDR</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>London Stock Exchange</td>
</tr>
<tr>
<td>Short name</td>
<td>LSE</td>
</tr>
<tr>
<td>ISIN code</td>
<td>US5591892048</td>
</tr>
<tr>
<td>Highest price paid, 2015</td>
<td>4.9</td>
</tr>
<tr>
<td>Lowest price paid, 2015</td>
<td>2.3</td>
</tr>
<tr>
<td>Closing price, 2015</td>
<td>3.3</td>
</tr>
<tr>
<td>Average daily trading volumes, 2015, USD mln</td>
<td>0.89</td>
</tr>
<tr>
<td>Market capitalisation, 31 December 2015, USD mln</td>
<td>2,866,645,427</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The MMK share</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>Moscow Exchange</td>
</tr>
<tr>
<td>Short name</td>
<td>MOEX</td>
</tr>
<tr>
<td>ISIN code</td>
<td>RU0009084396</td>
</tr>
<tr>
<td>ICB code</td>
<td></td>
</tr>
<tr>
<td>Highest price paid, 2015</td>
<td>24.3850</td>
</tr>
<tr>
<td>Lowest price paid, 2015</td>
<td>10.6000</td>
</tr>
<tr>
<td>Closing price, 2015</td>
<td>18.8750</td>
</tr>
<tr>
<td>Market capitalisation, 31 December 2015, USD mln</td>
<td>210,915,478,750</td>
</tr>
<tr>
<td>Number of shares</td>
<td>11,174,330,000</td>
</tr>
</tbody>
</table>
Source: MOEX, LSE, VTB