



Sustainable company
Prosperous regions
Successful country

Annual Report 2013

OMK is one of the leading producers of large-diameter pipes, railway wheels and automotive springs worldwide, and Russia's second largest producer of casing pipes and pipes overall.

We offer complex solutions and high-quality products for companies that extract and transport oil and gas, and transfer people and materials.

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Our Vision

We seek to become the most efficient Russian metallurgical and pipe company. We want to reach a winning balance between diversification and deep production integration, thereby protecting the company from declines in individual markets and production areas.

Our Mission

We ensure the creation of environmentally-friendly global energy and transportation lines, helping our clients transport people and materials over any distance at minimal cost while maintaining the highest quality standards.

From 2013 OMK uses the divisional management structure

Large-Diameter Pipes Division	Railway Wheels Division	Oil and Gas Line Pipes Division
Large-diameter pipes are OMK's key products. We are the Russian LDP market leaders with a 34% share. Page 22	OMK is the leader of the Russian railway wheels market with a 62% share. Page 24	In 2013 the Oil and Gas Line Pipes Division rolled out 960,000 tons of pipes. Page 26
Pipeline Fittings and Valves Division	Almetyevsk Pipe Plant Division	Chusovoy Metallurgical Division
OMK is the largest pipeline fittings manufacturer on the Russian market with a 15% share and one of biggest manufacturers of pipeline valves with a 12% share (in presence segments*) Page 28	In 2013 the Almetyevsk Pipe Plant Division had a 5% increase in pipes production against 2012. Page 30	The Chusovoy Metallurgical Works was incorporated into OMK in 2013. The plant is Russia's automotive springs market leader holding a 64% share. Page 32

North America Division
OMK opened its OMK-Tube plant in Houston, Texas, USA, in 2013. It helps the company to strengthen its position in the region. Page 34



Occupational Safety

Employees' health and safety are OMK's supreme values shaping responsible business conduct principles

Environmental Protection

We invest in state-of-the-art technologies that enable us to produce profitable products and avoid harming the environment

Human Resources

Success of OMK is based upon the employees: ambitious, committed professionals guided by the principles of sympathy, cooperation and mutual respect

* wedge gate valves, check rotating valves, safety valves.

OMK's results in 2013

Financial

Revenue (USD)

3.3 bln

EBITDA (USD)

657 mln

Net profit (USD)

141 mln

Investment (USD)

>500 mln

Operational

1.8 mln

tons of pipes, including:

- 800,000 tons of large-diameter pipes;
- 960,000 tons of small- and medium-diameter pipes, including casing pipes.

880,000

tons of rolled steel

13,000

tons of pipeline fittings

7,000

tons of pipeline valves

59,000

tons of automotive springs

661,000

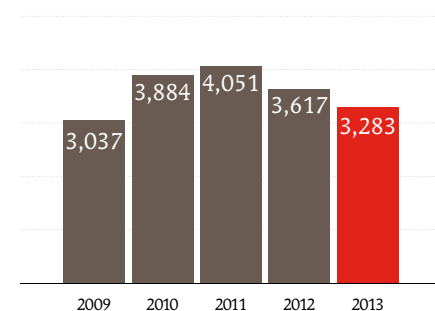
railway wheels

540,000

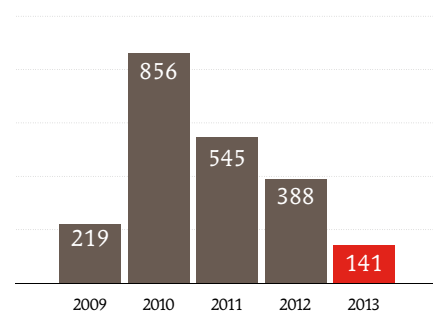
tons of wide plates

Financial results 2009/2013, mln USD

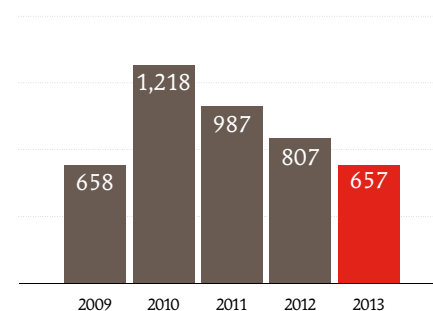
Revenue



Net profit

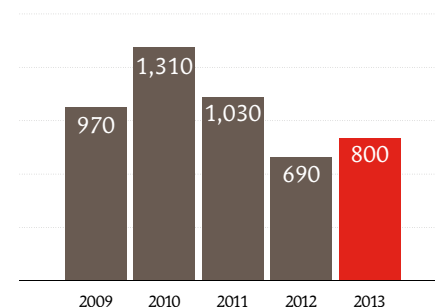


EBITDA

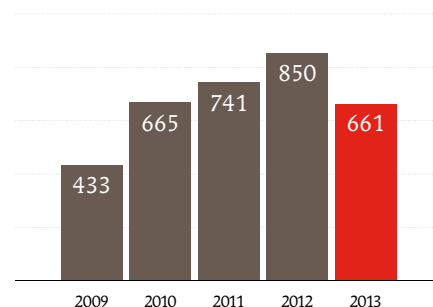


Operational results 2009/2013

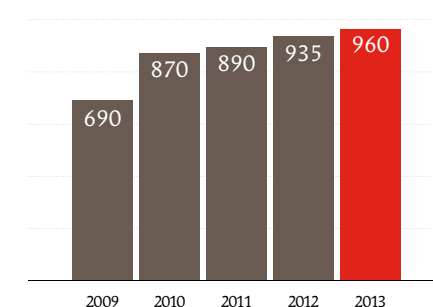
Large-diameter pipes, thousand tons



Railway wheels, thousand pieces



Small- and medium-diameter pipes, thousand tons



Business development

- OMK has bought the Blagoveshchensk Valves Plant, one of the largest pipeline fittings producers in Russia. The acquisition of this plant enabled OMK to enter a new market segment, widen its product range and offer packaged supplies for oil and gas companies.
- OMK held a grand opening ceremony for a new OMK-Tube pipe plant in Houston (Texas, USA). This will enable OMK to widen and strengthen its position on the North American market.
- Chusovoy Steel Works, one of Europe's largest producers of automotive springs, has joined OMK.

Financial results

- OMK's revenue in 2013 was 3.3 bln USD, a little decrease from 2012 (3.6 bln USD) due to a reduction in rail wheels sales: the demand lowered because many new railway coaches hit the roads and didn't need to be repaired. We also produced fewer pipeline fittings because major pipeline projects were postponed.
- The company's net profit was 141 mln USD (388 mln USD in 2012). The decrease is linked with higher exchange rates and lower sales of rail wheels and pipeline fittings.
- OMK maintained a high level of investment: the company invested more than 500 mln USD in projects.

Corporate Social Responsibility

- Vyksa has hosted the third international new culture festival "Art-Ovrag 2013".
- OMK has won the eighth "Cultural Heritage" national prize for outstanding efforts in reviving a landmark – the estate and industrial complex of the Batashev-Shepelev families in Vyksa.
- OMK has supported the All-Russia Zero Impact on the Environment ecological campaign.
- OMK was a co-organizer of the Victors' Ball at Poklonnaya Hill in Moscow for the eighth time.
- As part of the International Ski Federation's project OMK has staged the World Snow Day festival in Vyksa.
- The OMK-Uchastie charity fund continued its rapid development and staged many projects in regions where OMK operates.

Awards

- The best pipe producer in the oil and gas industry.
- The OMK-Tube plant in Houston, Texas, USA, was named the best greenfield-brownfield project of 2013 by American Metal Market magazine.
- OMK with the "Art-Ovrag" festival was announced as a winner at the "Leaders of Corporate Charity" contest (first place in the Best Programme in the Support of Modern Art category), the competition "Russian organization of high social effectiveness", and the international street art forum "Street contribution" (as the event of the year).
- Eight OMK top managers were included in the annual rating of the Top 1000 Russian Managers.
- New railway wheels from OMK were given an award in the Russian Railways contest for best quality.

Social and environmental projects

16
mln USDspent on
social projects13
mln USDallocated for
environmental
projects>200
mln USDinvested for social
projects in 2005/2013

We facilitate movement of people, energy and freight

OMK products are being used in energy, transport, construction industries and housing and communal services

- 1 OMK's large-diameter pipes are being used for the construction of key Russian and international oil and gas pipelines: Nord Stream, South Stream, Eastern Siberia-Pacific Ocean, North European Gas Pipeline, Sakhalin-Khabarovsk-Vladivostok, etc.
- 2 OMK is the largest pipeline fittings manufacturer in Russia and one of the biggest producers of pipeline valves (in its presence segments).
- 3 OMK produces casing pipes and tubings for oil and gas fields and wells.
- 4 OMK owns Europe's largest complex that produces whole-rolled railway wheels for cargo, passenger and rapid trains. The production capacity is 850 thousand railway wheels per year.
- 5 OMK also produces shaped pipes that are being used in construction.
- 6 OMK manufactures 400 types of automotive springs for trucks.
- 7 OMK was recently allowed by the Russian Marine Register to produce steel plates for shipbuilding.
- 8 OMK produces arc-welded single-seam pipes for oil, gas and water pipelines and heating systems.



Where we operate

OMK consists of seven large metallurgical plants that are situated on two continents



North America Division



- OMK-Tube (Houston, Texas) – production of casing and tubing pipes;
- Tubular Solutions (Houston) – pipe-finishing facilities.

Seven OMK divisions

Large-Diameter Pipes Division



- Heavy Plate Mill 5000 – production of hot-rolled broad sheets (Vyksa, Nizhny Novgorod region);
- 4th Electric Welding Pipe Shop of Vyksa Steel Works – production of large-diameter pipes (Vyksa).

Railway Wheels Division



- Steelmaking facilities of Vyksa Steel Works (Vyksa) – production of billets for railway wheels;
- Wheel-rolling facilities of Vyksa Steel Works (Vyksa) – production of railway wheels.

Oil and Gas Line Pipes Division



- Casting and Rolling Complex (CRC) – production of hot-rolled sheets (Vyksa);
- 2nd Electric Welding Pipe Shop of Vyksa Steel Works – production of water and gas line pipes and small-section pipes (Vyksa);
- 3rd Electric Welding Pipe Shop of Vyksa Steel Works – production of oil and gas pipes and heavy-section pipes (Vyksa);
- 5th Electric Welding Pipe Shop of Vyksa Steel Works – production of casing pipes (Vyksa).

Chusovoy Metallurgical Works Division



- Chusovoy Metallurgical Works (Chusovoy, Perm region) – production of automotive springs.

Pipeline Fittings and Valves Division



- Trubodetal Plant (Chelyabinsk) – production of pipeline fittings;
- Blagoveshchensk Valves Plant (Blagoveshchensk, Republic of Bashkortostan) – production of pipeline valves.

Almeteyevsk Pipe Plant Division



- Almeteyevsk Pipe Plant (Almeteyevsk, Republic of Tatarstan) – production of oil, gas and water line pipes and square-shaped pipes.

Chairman's Statement



“Last year was filled with important events that bring us closer to the strategic development goal of building the most successful and stable company in Russia's pipe and metallurgical sector.”

>1.5 bln

USD will be invested in a new complex in Chusovoy, Perm Region

7,000

people have joined the OMK team thanks to the acquisition of two Russian plants and the building of a factory in USA in 2013

Anatoly Sedykh
Chairman

Dear friends!

The year 2013 was not the easiest one for our business. The metallurgical and pipe industries in which OMK is operating continue to be profoundly affected by the world economic crisis. First of all, we witnessed the gradual lowering of demand and prices for OMK's main products against a background of rising salaries and a declining ruble rate. These factors account for the weaker production and financial indicators as compared to the previous year. But we managed to be a step ahead of our closest rivals as far as efficiency is concerned and are planning to strengthen our lead in the future.

Last year was filled with important events that bring us closer to the strategic development goal of building the most successful and stable company in Russia's pipe and metallurgical sector. These events are results of our continuous efforts, and will become the very elements we will use for building the future.

First of all, we acquired the Blagoveshchensk Valves Plant (BVP), one of Russia's biggest manufacturers of pipeline valves, as part of a programme of stepping up our provision of solutions for the oil and gas industry. BVP's new products – ball valves, direct-flow gate valves, wellhead equipment, etc., which enjoy a wide demand, will be available on the market shortly.

Also in the USA (Houston, Texas), we launched OMK-Tube, a new greenfield pipe manufacturing plant. This strengthened our position on North America's vast casing and main pipeline market. Now, through an operating sales system, we can not only sell pipes made in Russia but also manufacture them close to the end-users, taking all their requirements into account. This project was named the best greenfield/brownfield project of 2013 by American Metal Market magazine.

The decision to build a complex for manufacturing seamless premium class oil and gas pipes, springs and rolled sections in Chusovoy, Perm region, requiring an investment of over 50 billion rubles (over 1.5 bln USD), was an important landmark for us. This project is unique because for the first time in post-Soviet Russia an absolutely new plant manufacturing contemporary products in high-quality workplaces will be built at the site of the factory that has been working for more than 130 years. This is especially important for OMK from the point of view of realizing our possibilities and implementing our potential. We highly appreciate the support that we received from the Government of Russia, which provided its guarantees for obtaining the credit resources.

The project in Chusovoy gives new life to the city where our plant currently employs over 5,000 people. The investment's social aspect and its input into Russia's industrial revival were key arguments favouring this decision. We are confident that the new production facility and workplaces will create the conditions for Chusovoy's comprehensive development.

In 2013 we have also done a lot in order to increase our corporate effectiveness. Firstly, OMK has switched to a divisional management structure, which better suits our extensive growth. We created 7 divisions using product and geographical criteria. Each of them is headed by a director, which is responsible for product quality, controls production processes and makes all the necessary changes. We are sure that this approach will enable us to increase effectiveness and to improve production culture as well as to improve the way we execute our clients' orders.

In line with its strategic principles and beliefs, OMK strives to make the maximum effort in forming a stable, favourable life environment in the towns and regions where it has a presence. In 2013, despite somewhat deteriorating indicators, we actively developed our social and charity projects. Noteworthy among them were the “Art-Ovrag” festival in Vyksa, which has become a tradition, and the 8th Victors' Ball, held in Moscow in December, where veterans of the Great Patriotic War gather to meet. Among other memorable events were the opening of the museum and park complex of the Batashev Estate and the support for the All-Russian Martial Arts Games in Saint Petersburg. We are planning to build momentum and to work on new social and charity projects.

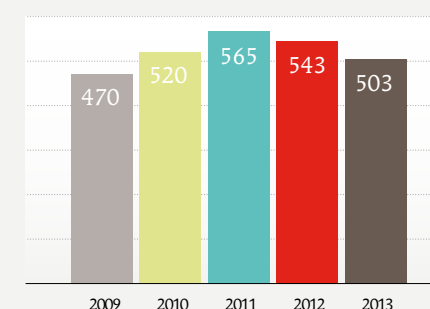
In conclusion, I would like to thank all our partners, among them such business leaders as Gazprom, Transneft, LUKOIL, Russian Railways, Danieli, Siemens, SMS and many others and, not least important, the regional and local companies, and also Sberbank of Russia, Gazprombank, Rosbank, Unicreditbank and Raiffeisenbank – without their kind help we wouldn't have been able to implement our large-scale investment programme so quickly.

My special words of gratitude are for the entire OMK staff. This year 7,000 of our colleagues from new OMK's plants have joined the company. This means that our team became stronger, and together we will be able to reach even higher results ensuring the stable future of OMK, decent life in our families, cities and country! Thank you!

Sincerely yours,

Anatoly Sedykh

OMK investments over 2009/2013,
mln USD



President's Statement

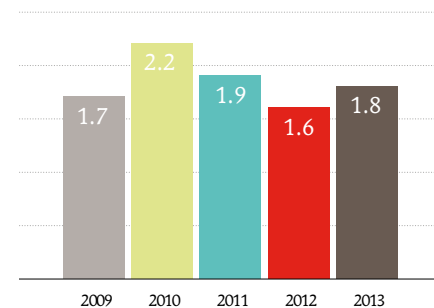


“We strive to create more and more complex products. Our biggest achievement in 2013 was the confirmation of our world leadership in delivering the pipes for off-shore pipelines.”

OMK's pipe production in 2009/2013, mln tons

8%

Increase in OMK pipe production in 2013



Vladimir Markin
President

Dear colleagues,

In 2013 OMK demonstrated its stability and the ability to adapt to the complicated external market conditions and the changes in the macro-economic situation. Despite the macro-economic instability the company showed good operation indicators and manufactured 1.8 million tons of pipes, which is an 8% rise against 2012. Large-diameter pipes (LDPs) account for 800,000 tons, and ensured a strong lead for us in this segment. OMK also produced 661,000 railway wheels; 540,000 tons of wide sheet and 880,000 tons of rolled steel; 13,000 tons of fittings and 7,000 tons of valves.

The fall in wheel sales after the record-breaking 2012 and the revision of plans made by some of our consumers led to a 6% decline in sales proceeds, down to 105 billion rubles (3.3 bln USD). It lowered the EBITDA to 20.8 bln rubles (657 mln USD, by 17%) and the net profit down to 4.5 billion rubles (141 mln USD), less than half the last year's level. The net profit indicators were considerably affected by the lowering of the ruble rate at the

“We started entering a segment of supplying valves for oil and gas extraction, and this segment of the market looks very promising for us.”

end of last year and the differences in the credit portfolio rates. Nevertheless, OMK preserved a high profitability rate.

Throughout the year we continued focusing on the issues of developing and raising our production efficiency. The significant success in operating the Heavy Plate Mill 5000 launched in 2011 at the Vyksa Steel Works should be mentioned first. The proficient work of our experts and the technical characteristics of the world's most efficient specialized pipe mill, as you may call it, enabled us to certify its products for the pipes of the third and fourth branches of Nord Stream in the very first full year of its operation and receive very high guaranteed characteristics. The 540,000 tons of products rolled out by the mill made it possible for us to considerably reduce sheet purchases and to expand the import replacement practice for the most complicated orders of our domestic consumers.

Launching the projects expanding our product range was especially important. We entered the oil and gas fittings market which is new to us but is very promising. Following the synergy of the Vyksa Steel Works, Trubodetal, and the Blagoveshchensk Valves Plant we are planning to provide solution deliveries for oil and gas companies providing them with pipes, fittings and valves. In the long run the products of the new complex in Chusovoy will expand these possibilities. But this will require extra precision and interactive order from our factories and we are actively working on this now.

We strive to create more and more complex products. Paying constant attention to market demands is the priority and the drive behind our investments. Technical cooperation with Gazprom, Transneft, LUKOIL, Rosneft, Gazpromneft, Surgutneftegaz, Russian Railways and other consumers makes it possible for OMK to go step-by-step in developing new, complex and unique types of products. Our biggest achievement in 2013 was the confirmation of our world leadership in delivering the pipes for off-shore pipelines. We have supplied pipes for Nord Stream, Oil Terminal Varandey, pipelines Baydaratskaya Guba, Dzhubga-Lazarevskoye-Sochi, Nevelsky's strait in the

Sakhalin-Khabarovsk-Vladivostok project, and now South Stream.

Aided by experts from Russian Railways we designed and launched the production of unique wheels made from new grades of steel for passenger and innovative freight cars. The project for building Russia's first line producing wheels for high-speed trains was also underway.

Over 16 billion rubles (503 mln USD) were channelled to investment projects in 2013. The figure remains almost the same as the year before. And we are planning to gain momentum in 2014 and increase the investment volume. To secure stable procurement of semi-products we signed slab delivery agreements with Novo-Lipetsk Steel, our strategic partner, up to 2016. We have created a fully domestic technological production chain – from ore to LDP – complete with quality control and optimal logistics at every stage. We expect that Russian-manufactured slabs will soon be certified for South Stream.

In 2014 we expect a rise in the sales of LDPs following the start of the deliveries to South Stream's first branch, and deliveries on completed tenders for the Power of Siberia and other projects. We are also optimistic about the pipeline fittings and valves and the railway wheels segment.

I would like to thank all our partners for their productive work in 2013 and also voice my hope that the cooperation will be developing further.

Sincerely yours,

Vladimir Markin

We strive to become the most efficient company in Russia’s ferrous metallurgy sector, manufacturing products for the pipe and metallurgy market.

We want to attain a happy balance between the diversification of the product range coupled with a deep degree of integration of production in order to protect the company from the reductions in demand in particular markets.

Owing to the synergy between the Vyksa Steel Works, the Blagoveshchensk Valves Plant and Trubodetal, OMK is able to offer packages for oil and gas fields. We can offer solutions to this sector, delivering pipes, fittings and valves thereby enabling oil and gas companies to construct wells and to develop fields. This is a very promising direction for us and offers unique possibilities for our clients.

We strive to create complex products, namely pipes and valves, including those for off-shore pipelines. The company has extensive experience in producing such items for pipeline construction. In addition, we have designed and launched the production of unique railway wheels from new grades of steel for passenger and innovative freight cars for Russian Railways. We are now preparing to begin production of wheels for high-speed trains: this new project is extremely important for us.

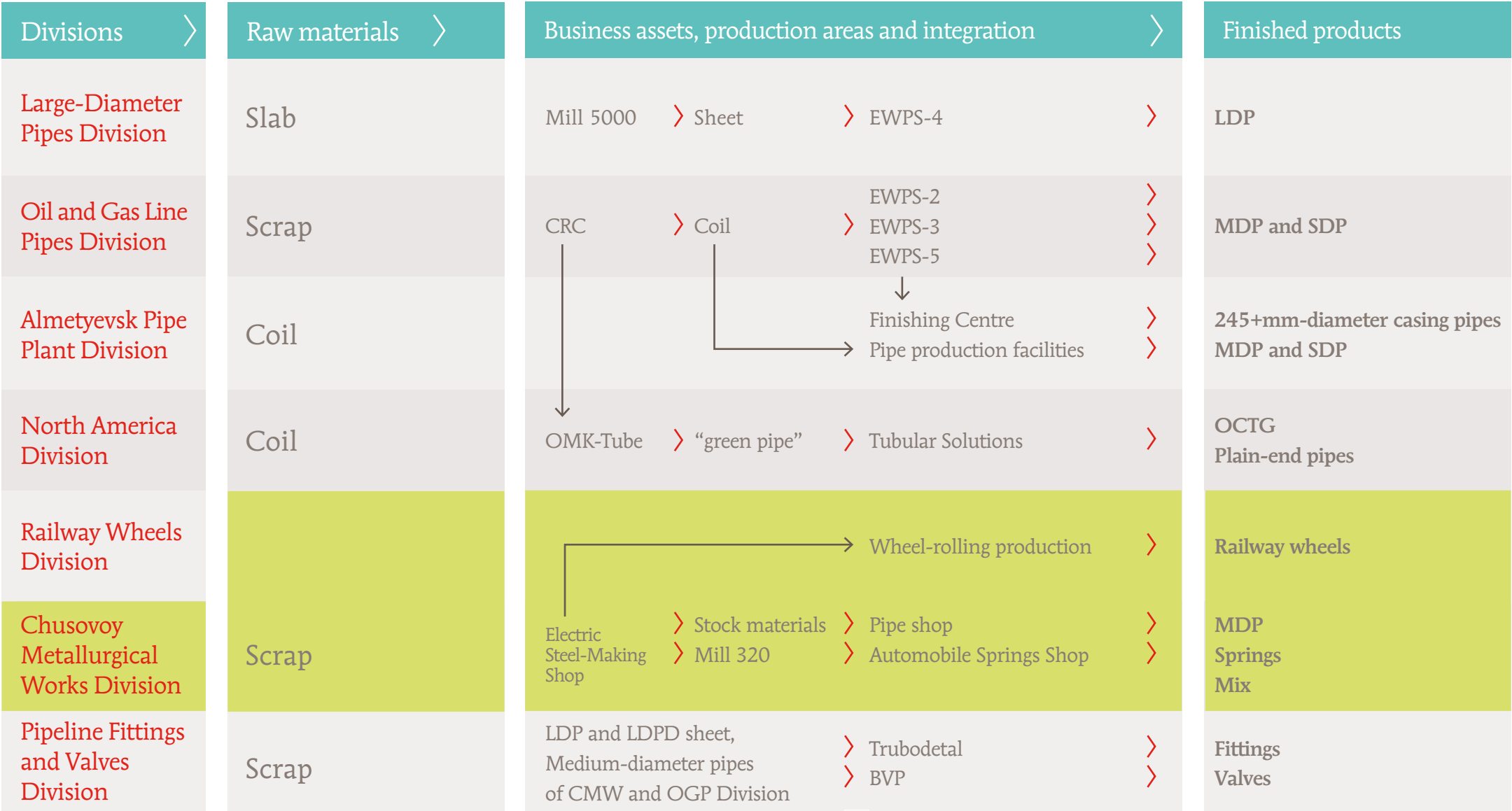
We have continued perfecting the production of wide rolled steel at the Heavy Plate Mill 5000 (Vyksa). The company has fulfilled its objective of vertical integration on this site by providing the pipe production facilities with their own rolled metal. The mill was designed to meet the most complex requirements from the clients, primarily Gazprom. In 2013, we extended a long-term contract for delivering slabs with our long-term partner NLMK (Novolipetsk Steel) until 2016. Consequently, we now have the most technologically advanced production – from steel through to large-diameter pipes – with strict quality control at all stages anywhere in Russia.

- OMK’s business guidelines:**
- Attain leadership in key markets;
 - Concentrate production and investment at a limited number of production sites with the maximum potential;
 - Balance the production diversification;
 - Integrate OMK affiliates and new production vertically, thereby increasing the share of controlled expenses;
 - Introduce the most state-of-the-art and efficient technologies and equipment;
 - Continuously search for and implement more advanced technological solutions;
 - Develop the potential in the company staff;
 - By making our business successful, we help to develop the regions in which we operate;

- We gear ourselves to the interests of our clients and take an active part in shaping the demand for our products;
- We build long-term client and partner relations. OMK has long-term contracts with leading Russian and foreign companies: Gazprom, Transneft, Rosneft, LUKOIL, ExxonMobil, Royal Dutch Shell, Russian Railways, KAMAZ, General Electric, Samsung and many others;
- We continue to strive for increased operational efficiency;
- To make production facilities and products more universal.

Packaged offer

✿ After launch of the pipes and steel-making complex in Chusovoy.





OMK’s strategy is directed at seizing opportunities for growth in conventional markets and at improving operational efficiencies in order to increase company earnings against optimal investments.

- OMK is focused on a number of strategic development areas:
- pursuing vertical integration,
 - increasing production capabilities,
 - enhancing operational efficiencies,
 - expanding product lineup,
 - attaining market diversification,
 - managing critical risks.
- OMK strategy fundamentals:
- We seek to create additional value by developing synergies between products and divisions;
 - We forge close and long-term relationships with clients;
 - We seek to build the strongest team in the industry by developing and attracting human capital;
 - We seek to become a leader in terms of the cost of standard products;
 - We are focused on the development of new complex products and on increasing the proportion of sales of products with special properties;
 - We protect market borders by raising technological barriers and developing products tailored to clients that are difficult to replicate;
 - We seek to predict market growth and to move forward in emerging sectors;
 - We seek to follow trends within the industry and then to keep ahead of competitors by capitalizing on our foreign experience;
 - We seek to ensure maximum loading of our production assets;
 - We continue to look for import substitution opportunities.

Results

The company has developed over 30 concepts for its strategic development since 2009.

During this time, 17 strategic projects have evolved from mere concepts to full-sized developments.

Currently, OMK is implementing about 10 more strategic projects, the largest of which are as follows:

- construction of the integrated pipe and steelmaking complex at Chusovoy Metallurgical Works;
- construction of the finishing centre at Almet'yevsk Pipe Plant;
- projects on the expansion of the finishing opportunities and facilities for applying outer corrosion-resistant coatings to large-diameter pipes at Vyksa Steel Works.

OMK leadership in key markets

Operating results in comparison (in the Russian market)





The year 2013 was the first one for OMK's new divisional management structure. This system proved to be very effective.

The year 2013 has become the first year when OMK engaged its brand new division-based structure for business asset management. With divisions in place as development objects, OMK focused on its key areas of operation and gave division leaders wider choices to affect end-to-end chain loss reductions and efficiency improvements in order to increase the competitiveness of the company. The company consists of 7 production divisions:

- Large-Diameter Pipes Division;
- Oil and Gas Line Pipes Division;
- Railway Wheels Division;
- Pipeline Fittings and Valves Division;
- Almet'yevsk Pipe Plant Division;
- Chusovoy Metallurgical Works Division;
- North America Division.

Large-Diameter Pipes Division

Large-diameter pipe production facilities are essential for the company. OMK is the Russian LDP market leader, having secured a 34% market share over the last two years. We are a unique pipe supplier for principal strategic oil and gas pipeline projects both in Russia and abroad. Among our strengths in this market are two state-of-the-art Electrically Resistance Welded (ERW) LDP lines together with coating lines and advanced equipment for the production of wide sheet (Mill 5000). These help us to:

- produce the widest-possible selection of 508-1,420 mm-diameter pipes with wall thicknesses up to 48 mm;
- keep costs in check throughout the entire technological chain and maximize returns, thanks to the ability to flexibly distribute orders among the mills;
- develop and introduce new unique products and technologies, which allow us to increase the competitive strength of our business.

Today, OMK has the most successful "underwater portfolio" in Russia.

The LDP division strategy is to maintain the company's leading positions in the Russian market and in product differentiation through participation in projects such as the delivery of new types of pipes, for example, DNV compliant pipes for subsea pipelines, and sales development involving CIS and overseas markets in order to offset any fluctuations in the domestic market.

Oil and Gas Line Pipes Division

In 2013, the company focused mainly on the expansion of its manufacturing capabilities and the installation of equipment at EWPS-3. In addition, the division started renovating EWPS-2 and kept starting production of new types of products with a major focus on applying new steel grades manufactured by the CRC. Amidst growing competition, the OGP division strategy is geared towards distinct market segmentation, identification of priority areas, search for and development of new fields for application of ERW pipes, maintaining a focus on the sectors for enhanced property pipes and readiness for price competition in the markets in an environment of maximum competitive pressure. The OGP division strengths are as follows:

- the synergy of its pipe business with CRC, giving comprehensive control over pipe and coil processing;
- the advantageous geographic positioning of its businesses throughout consumption regions and with respect to export markets.

In the short term, the OGP division will have the following essential initiatives:

- cost-cutting programmes;
- completion of the EWPS-2 renovations;
- commencement of production and increased sales of high value-added pipes, such as corrosion-resistant, cold-resistant, ultra-strength pipes.

In order to expand the product lineup, the company plans to launch the manufacturing of seamless Oil Country Tubular Goods (OCTG) pipes in Chusovoy. To that end, OMK plans to build a steelmaking and pipe-manufacturing complex capable of producing about 1 mt/y of steel and 450,000 t/y of pipes. The project started in late 2013 and the completion of the steelmaking facilities and the first stage of the pipe-rolling facilities is expected by the end of 2016.

Railway Wheels Division

OMK is a leader in the Russian railway wheels market, holding a market share of 62% in 2013 and maintaining long-term agreements with its key consumer – OJSC Russian Railways. In Russia, we enjoy a stable competitive advantage, as we can produce wheels with unique consumer qualities: solid wheels, L grade passenger wheels and wheels with load per axle ratings of 25-30 tons.

RWD strategic focus:

- maintaining its leading position in the Russian market, including the creation and offering of unique products;
- maintaining its technological competitive advantages with respect to the manufacture of products with unique properties;
- developing new types of products to ramp up sales in the export markets;
- promoting solid wheels in the CIS market by focusing on development and the launch of new types of products with enhanced consumer properties;
- gaining certification according to international standards;
- cutting operational costs.

Pipeline Fittings and Valves Division

Today, the Pipeline Fittings and Valves Division (PFVD) is the largest supplier of fittings in Russia with a market share of 15% and is one of the largest valve producers in Russia with a market share of 12% (in presence segments). Its product mix includes unique products that no other manufacturer can produce in Russia, for example, large-diameter and high-pressure T-bends that meet both present and future market needs. →

7
production divisions were
picked out as part of
OMK's new management
structure implementation

→ PFVD development features on the focus list of the corporate strategy for 2014 and the following years. Unlocking the synergy of the two PFVD companies will allow OMK both to increase performance and financial figures and to significantly develop the product lineup, which, in turn, will make it possible to enter the oil and gas field procurement sector. For this to happen, the PFVD has to perform a large amount of work to develop design competences and capabilities in the packaged supply of fittings and valves. Collaboration with the OGP division, which makes pipes for well and field infrastructure development, will further strengthen OMK's position in the market for packaged solutions for oil and gas companies.

- The major thrusts of the PFVD development and operational efficiency improvement programme include the following:
- maximum satisfaction of client needs (product mix, complete sets, properties);
 - production setup for new types of products;
 - access to new market sectors with the maximum use of existing capacities and technologies;
 - control over operational and non-operational costs;
 - ensuring the company's ability to meet any and all needs for the highest-quality fittings within the shortest time possible;
 - development of design competences and capabilities in packaged supply of fittings and valves.

Almetyevsk Pipe Plant Division
The key objective of the APP division is to complete the Finishing Centre for casing pipe production in cooperation with VSW EWPS-3 from the OGP division. This project will allow OMK to enter a new market sector of 245+mm-diameter casing pipes and strengthen its positions in the fast-growing OCTG sector. The new production facilities will be employed in the finishing of 100,000-150,000 t/y of casing pipes manufactured at the renewed EWPS-3 operated by the OGP division.

North America Division
North America is the largest OCTG and welded MD pipe market worldwide. This region has an immense amount of production facilities. Total capacity of the market leaders makes up about 4 mt/y with foreign supplies meeting about 50% of consumption needs. In the medium term, we expect a palpable consumption growth, including the premium sector, largely thanks to the development of shale deposits.

In February 2013, OMK commissioned OMK-Tube in Texas. OMK-Tube and Tubular Solutions, which is also operating in Texas, have joined the North America division (OMK-NA). The key objective of the North America division is to set up new production facilities, build its business in the region and increase the share of products with high added value.

- Chusovoy Metallurgical Works Division**
The largest investment project of the company is complete renovation of the Chusovoy Metallurgy Works with further construction of the Pipe and Steelmaking Complex. The launch of the complex will become a major landmark in the company's development. In addition to the improvement of the socioeconomic situation in Chusovoy, these efforts will allow OMK to place CMW in the corporate value chain and meet certain paramount challenges for the company:
- OMK will finally complete its product lineup and enter a seamless pipe segment with the most up-to-date and qualitative product in the Russian market;
 - OMK will improve environmental conditions in Vyksa and Chusovoy;
 - RWD and CMW division will be provided with continuous cast steel billets for the production of state-of-the-art railway wheels and springs.

The project is currently being prepared for construction. Great efforts have been made: the company has built a project team, approved the site plan for the PSC facilities, considered and analysed major technical solutions for the complex facilities developed by a design contractor and selected major equipment suppliers. In addition, the company has worked to clear the site's construction footprint.

Once the PSC is commissioned, it will produce a wide product mix of oil and gas, tubing and casing pipes with a diameter of 73 to 245 mm, a wall thickness of 4 to 20 mm in J-55, N-80, P-110, E, D, L, M steel grades and with API compliant threads and premium fittings. The annual production volume will be 450,000 t of tubular goods.

Alongside the PSC project, OMK is taking steps to its develop spring-making facilities. With a market share of about 64%, CMW is a spring market leader in Russia. Given the growth of the Russian commercial vehicle and truck market, especially foreign commercial vehicles and trucks, including vehicles assembled in Russia, we expect an outstripping of the few-leaf spring market growth and a certain shortage of few-leaf spring production capacities in the next 1-2 years. In order to make up this deficit in capacity and to develop CMW sales, OMK has adopted a few-leaf spring production development concept, which will allow the company to increase its capacities from 13,500 t/y to 25,500 t/y.

01
In 2013 the Heavy Plate Mill 5000 has produced 540,000 t of wide sheet for LDP

02
OMK has adopted a few-leaf spring production development concept that helps to increase Chusovoy Metallurgical Works' production capacity

03
Blagoveshchensk Valves Plant's entry to the group helped OMK to increase its capabilities in the field of complex supplies for oil and gas companies





OMK has produced in 2013:

1.8 mln

tons of pipes, including:

- 800,000 tons of large diameter pipes;
- 960,000 tons of small and medium diameter pipes, including casing pipes.

661,000

railway wheels

540,000

tons of wide plates

880,000

tons of rolled steel

13,000

tons of pipeline fittings

7,000

tons of pipeline valves

59,000

tons of automotive springs

Key business results

We have achieved an increase in overall production effectiveness, which is particularly important in today's tough conditions in the metallurgical industry.

Over the last 10 years OMK has produced

8 mln

tons of large-diameter pipes

8 mln

railway wheels



Large-Diameter Pipes Division

OMK is the largest producer of large-diameter pipes in Europe and a main supplier of all important Russian and international arterial pipelines.

OMK's large-diameter pipe production over 2009/2013, thousand tons

Year	Production (thousand tons)
2009	970
2010	1,310
2011	1,030
2012	690
2013	800

* Including LDPs produced by EWPS-3 (VSW)

OMK has established an integrated Russian cluster that produces pipes, fittings and valves for the oil and gas industry.



Products:

- Wide steel sheets for the production of LDPs, used in the machine-building, shipbuilding and construction industries. Width: 900-4850 mm. Thickness: 7-150 mm. Maximum production capacity: up to 1.5 mt/y.
- Large Submerged Arc Welded pipes, welded steel pipes for the major oil and gas pipelines with an internal and external smooth or anti-corrosion coating. Strength class: up to X80. Diameter: 508-1420 mm. Maximum production capacity up to 2 mt/y.

Results:

In 2013, the division produced 800,000 t of LDPs (16% more than the previous year) and 540,000 t of wide sheets (almost doubled against 2012).

We anticipate that in 2014 the production capacity of the LDP division will be used even more extensively as we expect to surpass the 1 mt mark by participating in several large projects. One of these is the off-shore part of the South Stream: we will provide 35% of the total volume for the first and second branches, which equates to more than 600 km of pipes. Other projects include completing the second branch of the Bovanenkovo-Ukhta pipeline, the Southern Corridor, the Kuyumba-Taishet oil pipeline. The Filanovsky oil field is being further developed, as is construction of the Yamal oil transportation system and the Rospan gas pipeline.

OMK is ready to produce pipes for the large-scale strategic project the Power of Siberia.

2mln

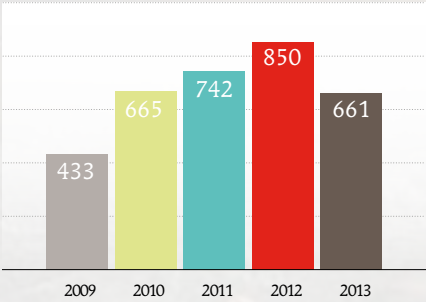
tons of large-diameter pipes can be produced by OMK every year



Railway Wheels Division

OMK has Europe’s largest line for producing solid-rolled railway wheels. We are the leaders in the Russian market and have long-term contracts with the major railway wheels customers in the country.

OMK’s railway wheels production over 2009/2013, thousand pieces



Products:

- Solid rolled railway wheels and wheel centres, including those for the high-speed Lastochka trains.
- Diameter: 710-1098 mm, 140 standard sizes. Maximum production capacity: 850,000 items per year.

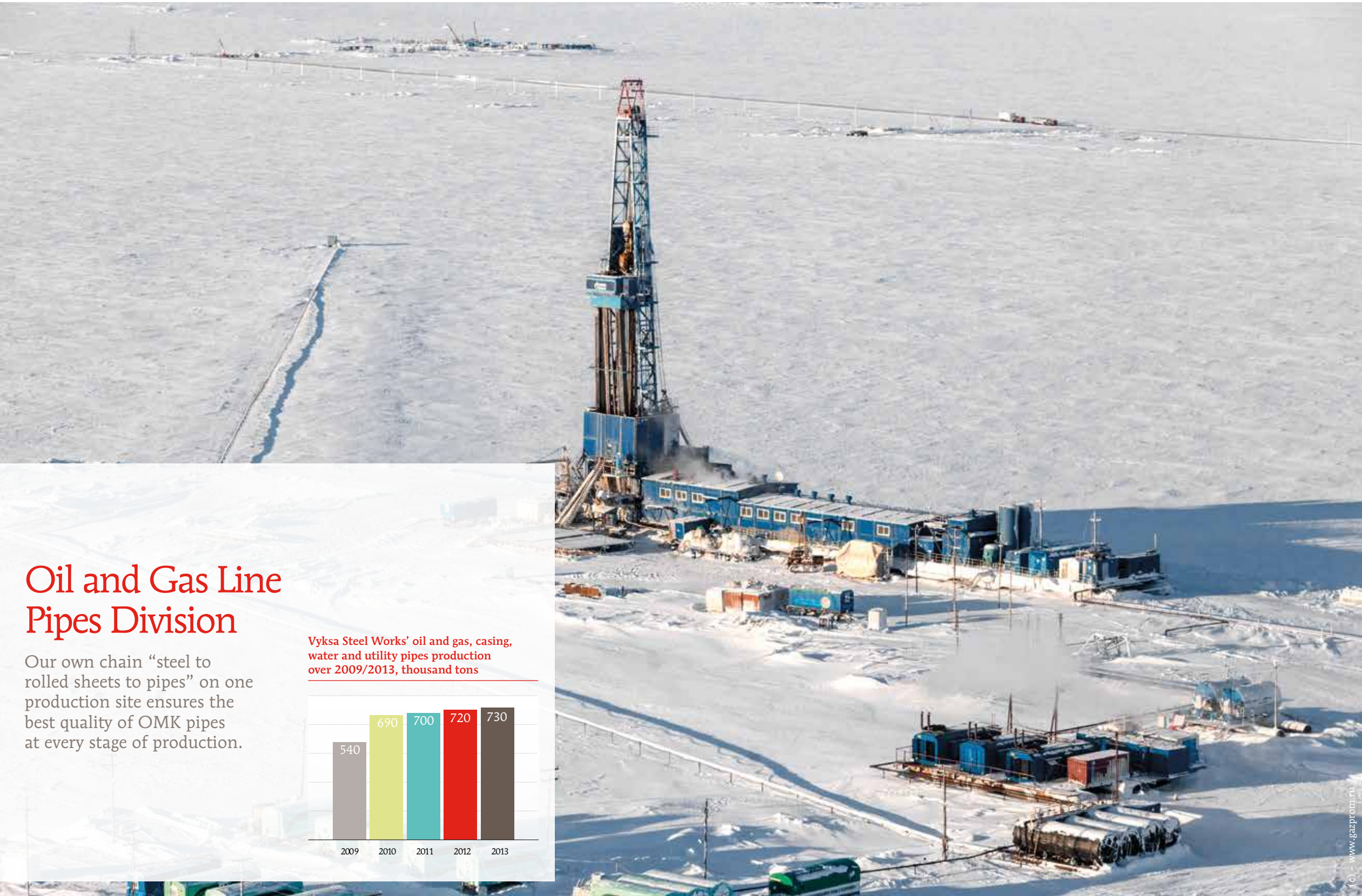
Results:

In 2013, the division rolled out 661,000 wheels, which is 22% less than in the previous year. The fall in the demand is explained by the large number of new cars that do not require repairs.

850,000

railway wheels per year is OMK’s maximum production capability

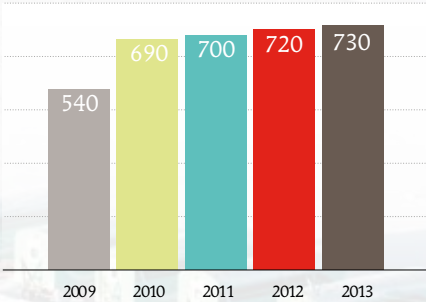
Considering the fact that oil and gas extraction is being developed mainly because of regions with tough climate conditions, OMK develops the production of domestic innovational types of pipes.



Oil and Gas Line Pipes Division

Our own chain “steel to rolled sheets to pipes” on one production site ensures the best quality of OMK pipes at every stage of production.

Vyksa Steel Works’ oil and gas, casing, water and utility pipes production over 2009/2013, thousand tons



- Products:**
- Hot-rolled flat steel in coils and sheets used for small- and medium-diameter pipes, used in the shipbuilding, machine-building and construction industries. Width: 30-1750 mm. Thickness: 1-12.7 mm. Maximum production capacity: up to 1.2 mt/y.
 - LSAW pipes, welded steel pipes for oil and gas pipelines, product pipelines, water pipelines, heating systems, oil and gas well construction. Strength class: up to X80. Diameter: 114-530 mm. Wall thickness: 4-12.7 mm. Maximum production capacity: up to 1 mt/y.
 - Casing for constructing oil and gas wells and fields. Diameter: 114-245 mm. Wall thickness: 5.2-11.1 mm. Maximum production capacity: up to 400,000 t/y.

Results:
In 2013 the Oil and Gas Pipe division that is represented by pipe works of the Vyksa Steel Works and Almeteyevsk Pipe Plant has produced a total of 960,000 tons of small- and medium-diameter pipes, including casing pipes. Over the last five years OMK holds a very high and stable position in this segment and shows constant progress in results.

1.2 mln
tons of rolled flat steel
can be produced by OMK
every year

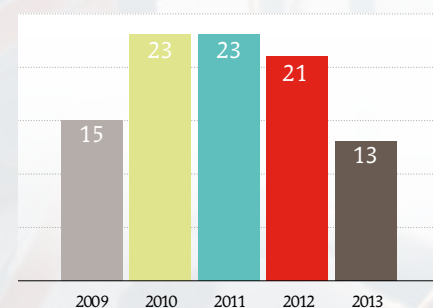
Operational Review



Pipeline Fittings and Valves Division

OMK is the largest pipeline fittings producer in the Russian market. The company is one of the leaders in pipeline valve production.

OMK's pipeline fittings production over 2009/2013, thousand tons



In 2013 OMK has acquired Blagoveshchensk Valves Plant. Synergy of BVP and Trubodetal enables the company to increase performance figures and financials and significantly develop the product lineup.

Products:

- Stamped welded pipeline fittings, tees, taps, elbows, ends. Used on major pipelines, distribution and pumping stations, oil and gas processing plants and nuclear and thermal power plants. Diameter: 57-1420 mm. Maximum production capacity: up to 30,000 t/y.
- Wedge cast gate valves, swing check valves, switching devices, spring pressure relief valves, etc. Used in oil and gas extraction, processing, heat and electric power industries. Diameter: 25-800 mm. Maximum production capacity: up to 13,900 t/y.

Results:

After the acquisition of Blagoveshchensk Valves Plant in 2013 and establishment of the new division OMK has entered a new market in pipeline valves. The company offers complex solutions and is responsible for over 1,000 standard sizes of pipeline fittings and over 500 standard sizes of pipeline valves and special items. Now the division's range includes a number of unique items; for example, T-bends for large-diameters and high pressure that meet both current and prospective needs of the market.

In 2013, the Pipeline Fittings and Valves Division has manufactured a total of 13,000 t of fittings, and 7,000 t of pipeline valves. The pipeline fittings production decreased by one third due to postponement of several pipeline projects. Blagoveshchensk Valves Plant has slightly lowered the volume of pipeline valves production due to the overall fall in demand on the market.

500

After acquiring of Blagoveshchensk Valves Plant in 2013, OMK now is able to produce over 500 standard sizes of pipeline valves, wellhead equipment, etc.

In the Almet'yevsk Pipe Plant Division, OMK builds the finishing centre to produce new type of casing pipes with a diameter of more than 245 mm. It will help the company to strengthen its position in oil and gas extraction segment.

Almet'yevsk Pipe Plant Division

The Almet'yevsk Pipe Plant is one of the key pipe producers for the oil and gas industry of the Middle Volga region.

Almet'yevsk Pipe Plant's pipe production over 2009/2013, thousand tons

2009	2010	2011	2012	2013
150	180	190	215	230

Products:

- Pipes for utilities: single electrically welded pipes, including those with polyethylene coating. Used in the oil and gas industry, water supply, heating, construction industries, and agriculture. Diameter: 17-219 mm. Wall thickness: 1.5-8mm. Length: 6-12 m.
- Square-shaped pipes. Used in machine-building, tractor-building, construction industries, for furniture production and other purposes. Section: 15x15-200x200.

Results:

In 2013 the Almet'yevsk Pipe Plant Division manufactured 78,000 t of oil and gas pipes, 55,000 t of square-shaped pipes and 93,000 t of water pipes. The division's overall pipe production increased by 5% compared with 2012.



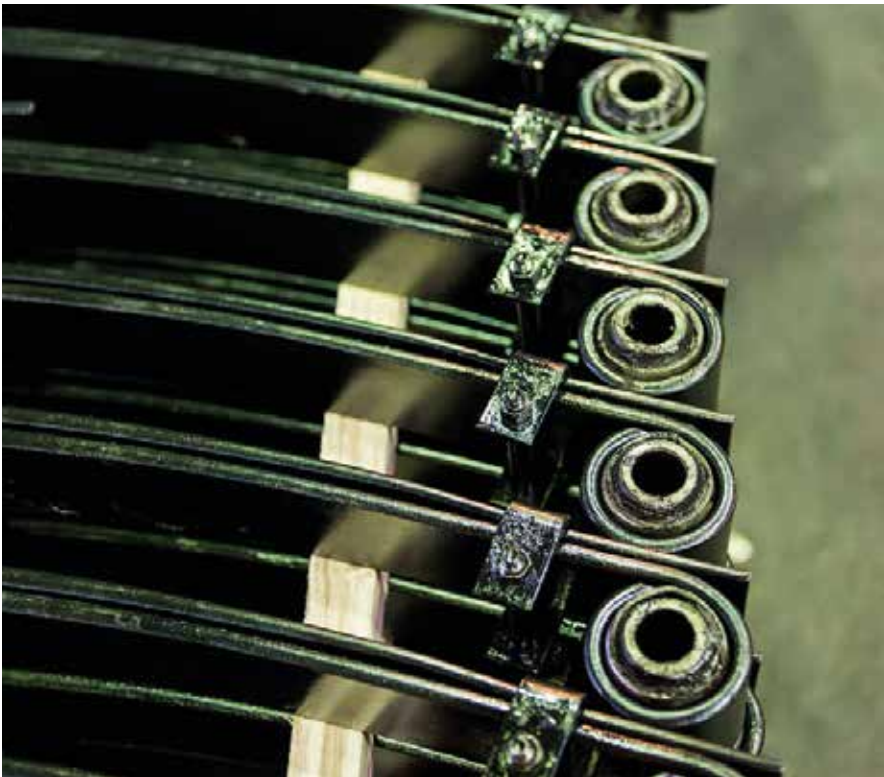
Chusovoy Metallurgical Works Division

OMK is Russia's leading automotive springs producer. They are being manufactured at the Chusovoy Metallurgical Works, which joined the company in 2013.

Chusovoy Metallurgical Works' springs production over 2009/2013, thousand tons

Year	Production (thousand tons)
2009	43
2010	58
2011	66
2012	67
2013	59

A major investment project – a massive reconstruction of the Chusovoy Metallurgical Works – is being implemented in the division. A new plant will be built and is set to produce up to 450 thousand tons of seamless premium casing and tubing pipes per year.



Products:

- Over 400 standard size springs of the most contemporary constructions, including parabolic and air castor levers. They are used for KAMAZ trucks, including the KAMAZ-Master racing team, and the Ural, UAZ, NefAZ and many other vehicles.

Results:

In 2013 the Chusovoy Metallurgical Works Division was created in OMK. It has produced 59,000 t of springs over the last year.

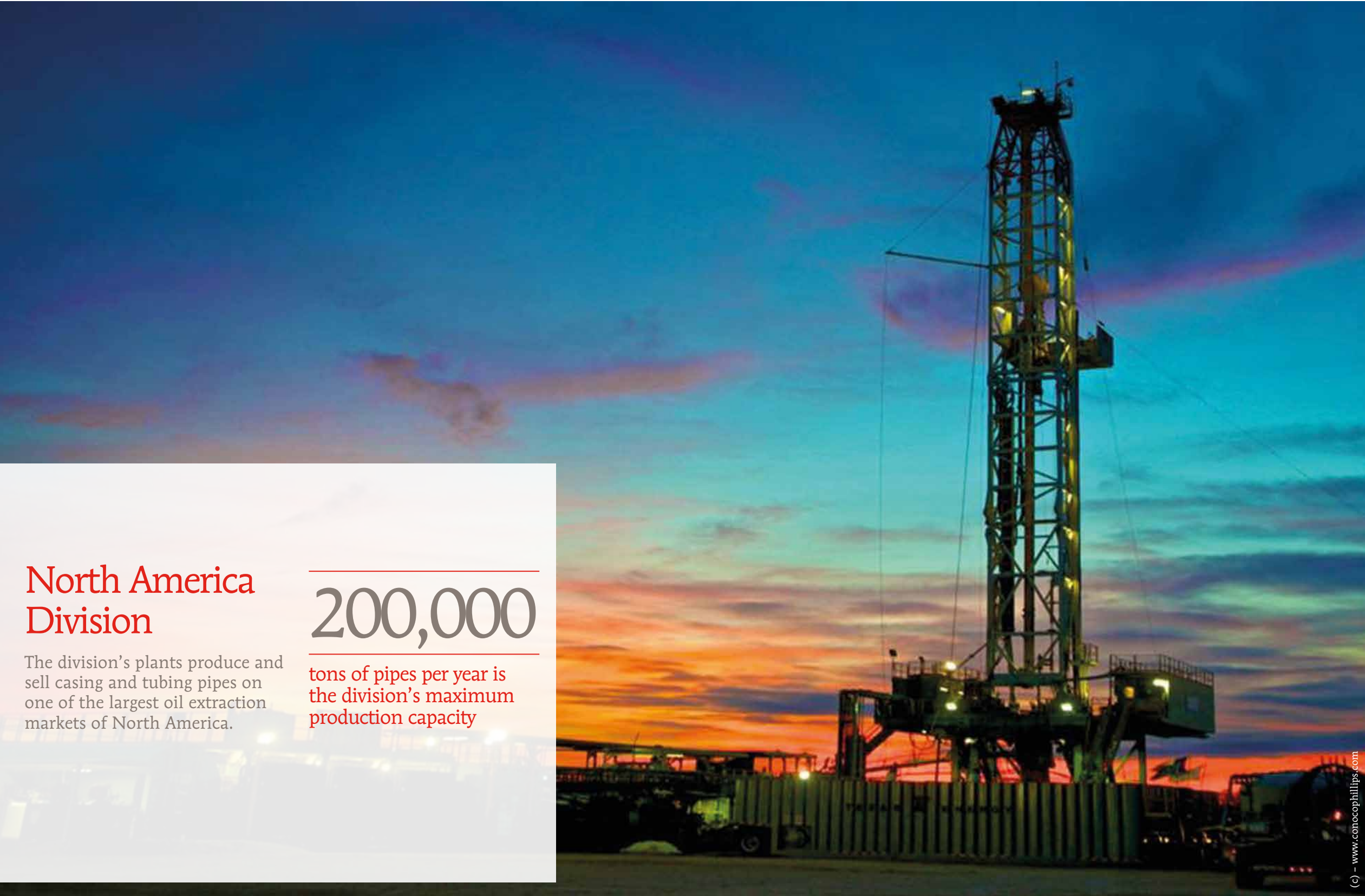
OMK is building a contemporary metallurgical plant in Chusovoy, the Pipe and Steelmaking Complex. The project is directed at a radical reconstruction of the Chusovoy Metallurgical Works. A blast furnace, an open-hearth furnace and outdated rolling production were stopped. Deinstallation of all the old workshops is underway. By 2018 OMK will build here a contemporary plant, which with co-operation with the Chusovoy Metallurgical Works' springs workshop will provide a solid economic boost for the company and region.

The overall amount of investment in the project is over 50 bln rubles (over 1.5 bln USD). The project is very significant for the city, which is closely linked with the plant. This is the first ever project of complete reconstruction of an active metallurgical plant. OMK hopes that it will serve as an example of resurrection and development of a small city by a private company.

400

The Chusovoy Metallurgical Works produces more than 400 standard sizes of springs of the most contemporary designs, including parabolic and air castor levers

OMK's new plant in Texas, USA, was named the best greenfield-brownfield project of 2013 by the American Metal Market magazine.



North America Division

The division's plants produce and sell casing and tubing pipes on one of the largest oil extraction markets of North America.

200,000

tons of pipes per year is the division's maximum production capacity

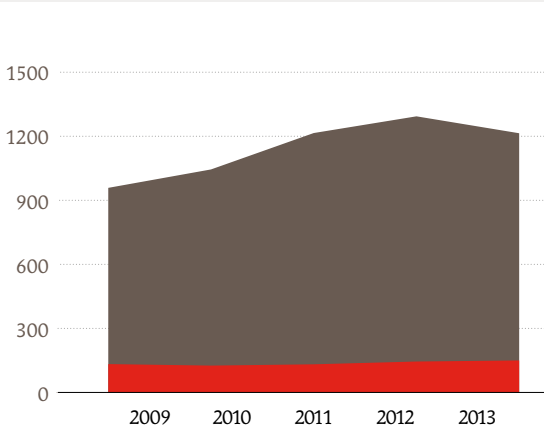
Products:

- Casing and oil and gas well tubing. Diameter: 60-178 mm. Wall thickness: 4.8-12.7 mm. Maximum production capacity: up to 200,000 t/y.

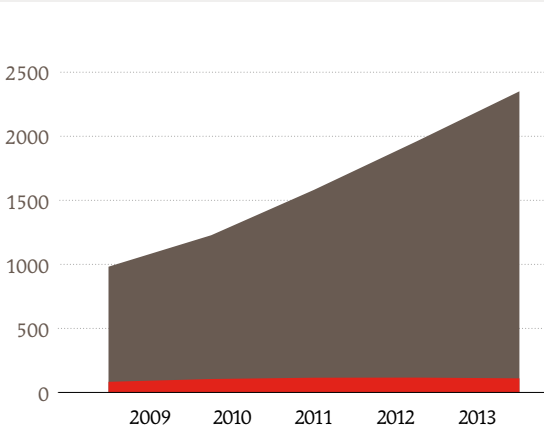
In 2013 OMK-Tube has produced 39,000 t pipes. The plant continues to strive to reach its production capacity.

OMK's results and the Russian market in 2009/2013

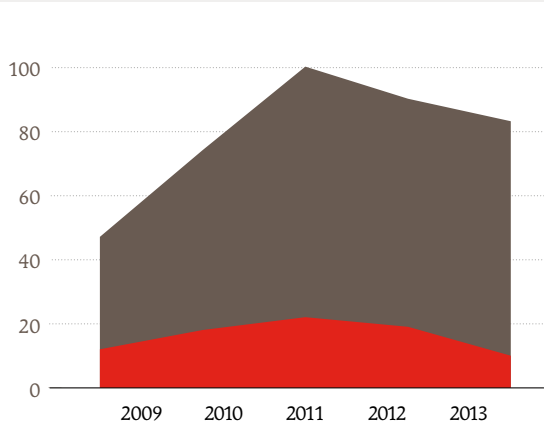
Water and gas pipes, thin-wall pipes



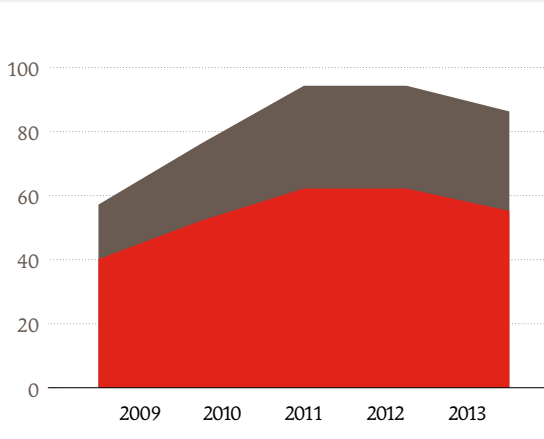
Shaped pipes



Pipeline fittings

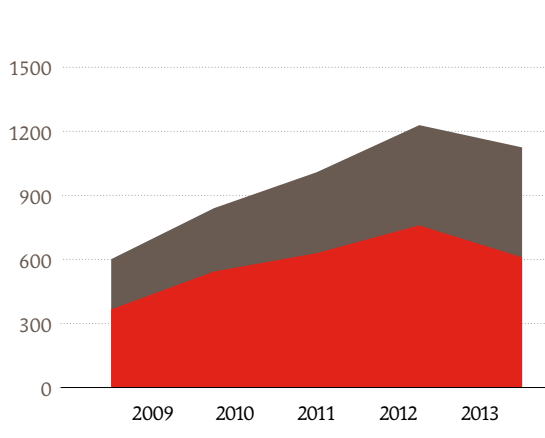


Springs

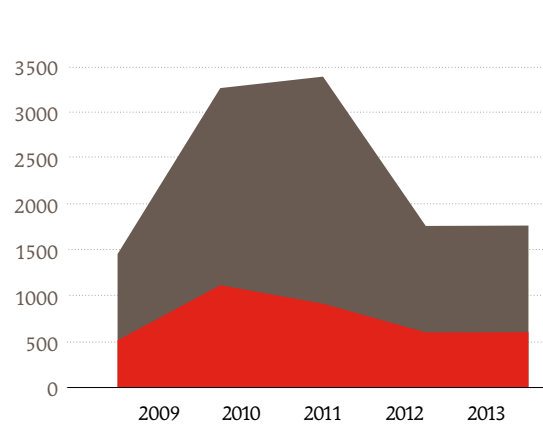


■ OMK
■ The Russian market

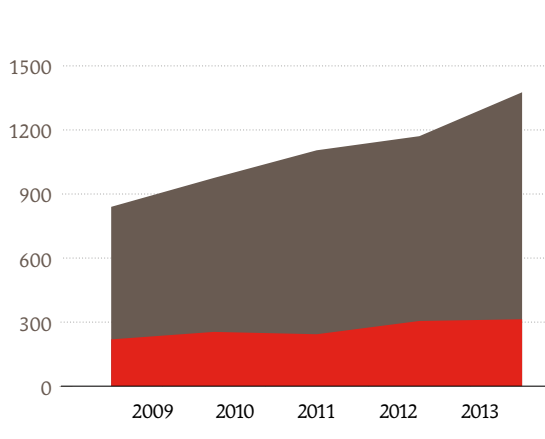
Railway wheels



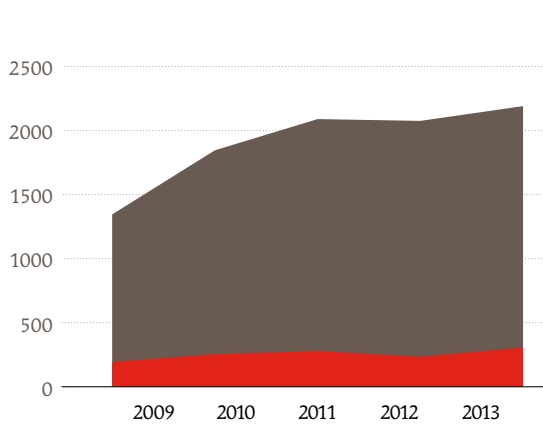
Large-diameter pipes



Casing pipes



Oil and gas pipes, general purpose pipes



The year 2013 was characterized by opposing tendencies. The Asian and Middle East countries increased their steelmaking output, which accounted for the 3.5% rise in metallurgy worldwide, while Europe and Russia manifested negative dynamics. In our country, steelmaking volumes dropped to 69.4 mt, down 1.5% against 2012. Market pricing for the entire range of metal products and raw materials stayed weak throughout 2013.

The instability of the world markets affected the domestic rolled metal market. The decline in Russia's effective demand and the weakening of the export flows also contributed to the lowering of internal prices and consequently made the industry's companies less profitable. A rise in imports following Russia's entry into the World Trade Organization (WTO) aggravated the highly competitive situation in all sectors of metal products.

Russia and the CIS countries are the main sales markets for OMK. This is explained by a stable level of development and demand by the oil and gas industry, the current active phase of hydrocarbons field development, and the construction of new oil and gas pipelines. OMK holds 15% of Russia's steel pipe market, with large-

diameter pipes accounting for the most substantial part. Last year, the company's plants produced over 1.8 mt of pipe products (up 8% against 2012).

We took part in a number of the largest pipeline projects for the oil and gas industry in 2013. OMK was the first Russian metallurgical company to confirm its readiness to produce large-diameter pipes for the South Stream main pipeline. Its land part, the Southern Corridor, is already being constructed using our pipes. We produced and delivered a new kind of pipe with a heat insulating coating for the Zapolyar'e–Purpe pipeline. Since 2008, OMK has been delivering pipes with special characteristics to meet the rough polar climate for the Bovanenkovo-Ukhta main pipeline system, which was launched last year.

OMK is Russia's biggest manufacturer of railway wheels, rolling out 661,000 wheel pieces (down 22% against 2012), and 59,000 t of automotive springs. Large investments have been made in modernizing this production. Despite the complicated conditions, OMK has maintained its leading position on the Russian market and this has made it possible to maintain the previously chosen investment tempo for modernizing its main production facilities.

In 2013, the Vyksa Steel Works continued upgrading its electric pipe welding workshops, geared to producing small- and medium-diameter pipes. This will enable it to enlarge the production facilities for manufacturing pipes, to expand the product range and to attain a new quality level of labour productivity. In general, we link our future development with the forthcoming implementation of projects by the domestic oil and gas companies. We continue launching new kinds of products to meet the technical requirements of our corporate clients.

OMK continues to actively explore new world sales markets and to work on developing its competence in related production areas. In 2013, the Blagoveshchensk Valves Plant was incorporated into the company and this expanded OMK's product range, since it enabled OMK to enter the pipeline fittings sector. Also in 2013, we continued to expand OMK's presence in the North American pipe market by bringing the OMK-Tube plant, our US-based facility, to full capacity.

01
The result of OMK's productive work is the company's victory in the tender for large-diameter pipe supply for two branches of the South Stream gas pipeline at the beginning of 2014. Photo: the unshipping of pipes produced by the Vyksa Steel Works in Burgas, Bulgaria



Despite the complicated conditions, OMK has maintained its leading position on the Russian market and this has made it possible to maintain the previously chosen investment tempo for modernizing its main production facilities.

In 2013, the Casting and Rolling Complexes and the Heavy Plate Mill 5000 provided the company’s pipe-welding production with steel of the required range and quality. As part of the new product launch programme, the Heavy Plate Mill successfully inaugurated the technology for producing an entire class of thick metal sheets for LDPs.

In order to support the pipe production for promising Gazprom’s projects (Bovanenkovo-Ukhta, etc.), the technology for producing the K65 mark sheets with 23.0 mm and 27.7 mm thickness was developed. Successful pneumatic pipe tests were held in Kopeisk.

In 2013 OMK maintained a steady development rate in the majority of key sales markets.

Large-diameter pipes market

In 2013, the internal demand for large-diameter pipes (LDP) remained steady at the level of 2012 and amounted to 1,760,000 t. OMK’s share in the actual consumed LDP volume is stable at 34%. In 2013, the company claimed leading positions both in the oil and gas sector and in the regional market. OMK has delivered pipes for the following oil and gas pipelines: Southern Corridor, Zapolyar’e-Purpe, Bovanenkovo-Ukhta, Kuyumba-Taishet.

On the external markets, OMK doubled its deliveries to the CIS, mainly owing to its participation in the Central Asia–China-3 project. Overall, OMK delivered around 800,000 t of large-diameter pipes to the internal and external markets in 2013. OMK’s perspective for the LDP market in 2014 is related to the deliveries for the South Stream (off-shore and land sections in Europe), Southern Corridor and Bovanenkovo–Ukhta gas pipelines, for the Kuyumba-Taishet oil pipeline (Transneft); for the vertically integrated oil companies: the development of the Filanovsky oil field (LUKOIL), construction of the Yamal oil pipeline system and the Rospan gas pipeline (Rosneft). Also OMK will take part in pipe supply for the Power of Siberia pipeline that will transport Russian gas to China.

Casing market

With the casing market’s 13% growth to 1,338,000 t, the total volume of OMK sales remained at last year’s level at 325,000 t. OMK’s share in Russia is 23%. The sales volumes in the small oil company sectors went up against 2012.

The most important task for 2014 is to ensure the further development of extra-durable casing with highly sealed rifling resulting from the upgrade of the rifling production lines. Under the conditions of the tightest competition, OMK will strive to hold its positions in the half-premium rifled connections.

Market for oil and gas pipes and general purpose pipes

A total of 2,184,000 t of oil and gas and general purpose pipes were consumed in Russia in 2013, which is 6% more than in 2012. OMK sales in Russia grew by almost a third. This is mainly explained by speedy deliveries of pipes with extra features. OMK’s market share was 14% and 32% in oil and gas pipes with extra features. The share of welded pipes in oil and gas and general purpose pipes is growing. In 2013 the volume of this market has reached 800,000 t.

In 2014, the company’s development outlooks are related to increasing the production efficiency of the upgraded facilities of the Vyksa Steel Works (Electric Pipe Welding Workshop-3), expanding the range of the oil and gas and general purpose pipes, including manufacturing pipes in the Electric Pipe Welding Workshop-2 of VSW.

Water and gas line pipes market

OMK’s share in the stagnating water and gas line pipes market, which dropped 6% in 2013 against 2012 and amounted to 1,210,000 t, rose to 13.2%. In 2013, Vyksa Steel Works’ position on the market was stable, while the market share of the Almeteyevsk Pipe Plant increased to 4.3%.

In the immediate future, following the commission of the new highly productive Electric Pipe Welding Mills 40-133, 12.7-60, and the 21-89 of the Electric Pipe Welding Workshop-2 at the Vyksa Steel Works, we are planning to expand the range of small-diameter pipes complying with international standards in quality, precise size and steel grades. OMK also plans to launch and offer a class of thin-walled pipes (under 1.5 mm) and thick-walled pipes (from 4 mm to 6 mm).

Shaped pipes market

In the growing shaped pipe market (2.3 mt, up 20% against 2012) OMK was able to fulfil the yearly plans of the Vyksa Steel Works and Almeteyevsk Pipe Plant and prepare for the launch of the Mill 40-133 of the Electric Pipe Welding Workshop-2 at the VSW.

Railways wheels market

The year 2013 was difficult for the whole railway industry. The decrease in the Russian economy’s growth has led to a reduction in freight turnover, by trains

In 2013 OMK maintained a steady development rate in the majority of key sales markets

in particular. Also last year an overstock of the railcars in the network started to be felt, and it resulted in 28-percent fall in railcar building over the “1520” area. These factors have led to the decline of the railway wheels sales by 8% on 2012 and it has also affected the Vyksa Steel Works’ sales. A gradual growth of the market is expected from 2015 when the freight turnover and demand for maintenance are projected to start increasing.

Springs market

The volume of Russia’s spring products market was estimated at 86,200 t in 2013, an 8% decline against 2012. The total amount of spring products manufactured by the Chusovoy Metallurgical Works and sold on the domestic market amounted to 59,400 t (down 11% against 2012). The sales volumes in the configuration sector amounted to 27,600 t (down 9% against 2012), and to 31,800 t (12.6%) in the spare parts segment.

Based on the results of 2013, the market share of the Chusovoy Metallurgical Works amounted to 64% (down 3.5% against 2012). Despite this, the factory retained its position as the leading supplier for all major automobile assembly lines in Russia.

Pipeline fittings and valves market

The Russian producers feel the intense competition with imports. The share of the Trubodetal plant in the Russian pipeline fittings market was 15%. In 2013, the Trubodetal has produced 13,400 t of fittings. And the Blagoveshchensk Valves Plant has manufactured 7,000 t of valves. In 2014, OMK is set to actively produce fittings for the booster stations within the system of currently constructed gas pipelines (Southern Corridor, Bovanenkovo-Ukhta, etc.), which will make it possible to strengthen the company’s position on the internal market.



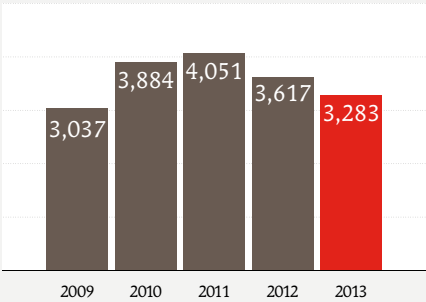
The Statement from Vice President and Director of Economics and Finance



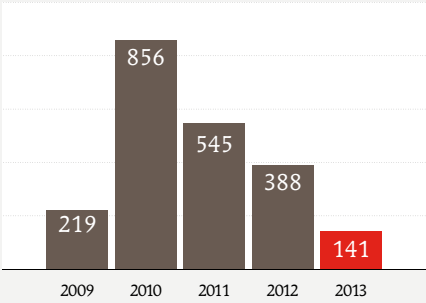
“The last year turned out to be difficult, yet exciting. Our company and the entire metal industry faced a number of demanding tasks and challenges.”

Yulia Shkhiyants
Vice President,
Director of Economics
and Finance

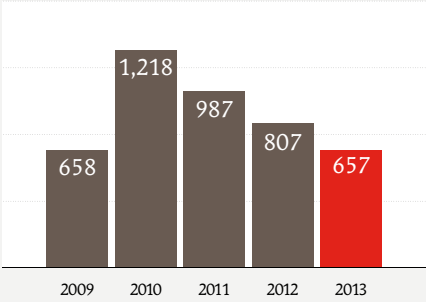
Revenue, mln USD



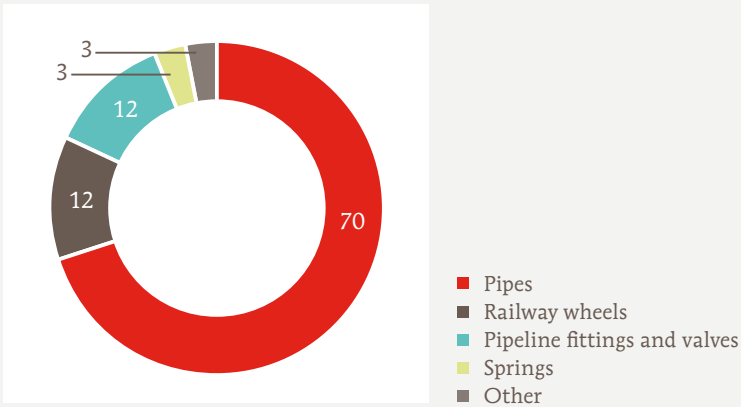
Net profit, mln USD



EBITDA, mln USD



Percentages of different division products
in our total revenue



“In 2013, OMK has expanded its localization, entered new markets, and acquired and built new production assets.”

Dear friends and partners,

The last year turned out to be difficult, yet exciting. Our company and the entire metal industry faced a number of demanding tasks and challenges. In 2013, OMK has expanded its localization, entered new markets, and acquired and built new production assets.

In 2013, OMK’s revenues declined by 6% y-o-y to 105 bln rubles (3,283 mln USD). This decrease was due largely to a drop in sales of wheels: the demand for railway wheels went down, as the companies purchased many brand new railcars in good repair. With the growing crisis in the industry and some large pipeline projects postponed to a later date, we also produced fewer fittings. However, the pipe segment showed a better performance, as large-diameter pipes sales surged 12% with oil and gas pipe sales also up by a small margin. The growth in pipe production is a very important figure for OMK, because our revenue mix is as follows: 70% accounted for by tubular goods, 12% by railway wheels, another 12% accounted for by valves and fittings, 3% by springs and the remaining 3% by other products.

In 2013, the net profit of OMK totalled 4.5 bln rubles (141 mln USD) against 12 bln rubles (388 mln USD) in 2012. This net profit decrease was heavily affected by a decline in the sales of wheels and fittings and by the chilling effect of foreign exchange differences of 2.9 bln rubles (90 mln USD) that is linked with the volatility of financial markets and the ruble’s weakening. EBITDA also dwindled from last year and totalled 20.8 bln rubles (657 mln USD).

As of the end of 2013, the company’s net liabilities to banks and lending agencies totalled 67 bln rubles (2.1 bln USD) while it was 48 bln rubles (1.5 bln USD) at the beginning of the year. The growth in the loan portfolio is due to investment operations and an increase in floating capital for pipe supply for 2014 projects. The largest Russian banks, such as Sberbank of Russia and Gazprombank, and such subsidiaries of foreign banks, as Raiffeisenbank, Rosbank, UniCredit Bank and many others, are among the company’s major creditors. Despite this substantial growth, OMK enjoys a comfortable debt load, since the Net Debt/EBITDA index is under 3 with the share of short-term debts equal to or below 30% of the total portfolio.

In 2013, investment project costs increased by 7% y-o-y and exceeded 16 bln rubles (500 mln USD). The company invested in the replacement of its small-diameter pipe mills, in the commencement of production of rolled products from different steel grades at the Mill 5000 and by new asset acquisitions. OMK self-funded about 60% of its investments.

In 2014, we plan to invest 18 bln rubles (567 mln USD) in production development. The financing of such a large investment programme will be provided largely by the funds from operational activity and also by bank loans. Nevertheless, the company’s debt load will remain the same. The forecast says that the Net Debt/EBITDA index will remain under 3, and the debt service coverage ratio will not exceed 1.5 taking into account the prevalence of long- and medium-term loans (80%) in our loans portfolio.

Best wishes,

Yulia Shkhiyants



OMK operates according to the best corporate management practices and this is reflected in the internal documents and corporate management procedures of the affiliates.

There is a complex arrangement of policies and functional strategies that form the basic documents within the group's corporate management system. In 2007, the Board of Directors of the OMK Closed Joint Stock Company approved a corporate ethics declaration, which is currently used in the year 2011 edition. The main aim of the document is to ensure that the Board of Directors, managers and other company staff abide by the high standard of corporate ethics.

Our corporate ethics declaration evokes interest beyond the corporate scene.

The structure of the OMK management bodies includes general shareholders' meeting, the Chairman of the Board (individual executive body) and the Board (a collective executive body).

In particular, the International Business Leaders Forum (IBLF) dedicated one of its publications to the declaration and plans to use the materials in a practical business ethics teaching module within higher education institutions.

OMK's development strategy is aimed at increasing the efficiency of the company's operation and capitalization. In our work, we follow the guidelines of business openness, timely corporate information provision, respect for the rights of all corporate relations participants.

The following persons are entitled to act on behalf of OMK without the power of attorney:

- Chairman of the Board;
- President.

They can also act without power of attorney on behalf of OMK's affiliates. As all OMK shares are owned by a single shareholder (OMK-Holding Closed Joint Stock Company), the issues that the legislation puts in the competence of the general shareholders' meeting and the Board of Directors, are dealt with by a single shareholder. It takes decisions on employment (dismissal) and work contract conditions, including the scale of remuneration and conditions as well as incentives and disciplinary sanctions for the following company officers:

- Chairman of the Board;
- President;
- Members of the Board.

The Chairman of the Board takes decisions on employment, dismissal and work contract conditions, including the scale of remuneration and conditions as well as incentives and disciplinary sanctions for the following persons:

- Head of Internal Audit;
- Security Director;
- Advisor to Chairman of the Board;
- Corporate Secretary;
- Managing Directors at Vyksa Steel Works, Almetyevsk Pipe Plant and Trubodetal
- Vice Presidents;
- Department Heads;
- Division Heads;
- Economy and Finance, HR, Production Systems, PR, Legal Issues and Administrative Issues Directors.

OMK is a private company that follows the Russian and international corporate standards of behaviour in order to protect the interests of all corporate relations participants.

An internal audit service has been operating within OMK since 2008. Its Head reports to the Chairman of the Board and the Chairman of the Audit Committee. The main users of the internal audit operation are the Chairman and the Members of the Board, the Audit Committee, divisional and directorate heads and top- and middle-level management.

The main functions of the service are as follows:

- To estimate the correspondence of the procedures and operations performed by the company's structural elements to the requirements of the current legislation and the company's local norm documents;
- To assess the reporting processes;
- To assess the means and actions to ensure the proper protection of the company's assets;
- To uncover and evaluate any risks following the abovementioned operations;
- To provide efficient communications to the Board, the Audit Committee and the management to ensure they have substantial confidence in assessing the level of the company's achievement of its goals and taking the necessary decisions.

The service employees make up the group's revision commissions for the group's affiliates, making it possible to monitor the finance and business operations of the affiliates on a regular basis.

The Corporate Secretary position was introduced in OMK in 2007. The Corporate Secretary reports to the Chairman of the Board. The Corporate Secretary provides coordination on the planned and implemented deals with shares in the chartered capitals of the OMK group affiliates, the disclosure and availability of information on the OMK group affiliates according to the requirements of the legislation of the Russian Federation, etc.

The OMK Corporate Secretary is a member of the 25 best directors for corporate governance and corporate secretaries rankings that was established by the Independent Directors Association, the Russian Union of Industrialists and Entrepreneurs and PwC.



Management Board

Svetlana
NikolashinaDmitry
ChernyshevEduard
StepantsovNatalya
EreminaVladimir
MarkinAnatoly
SedykhYulia
ShkhiyantsDmitry
StopkevichAleksey
Mitenkov

Anatoly Sedykh Chairman of the Management Board

Anatoly Sedykh was elected Chairman of the Management Board of OMK by the general shareholders' meeting on January 29, 2013. Mr Sedykh has held leading positions in the company since 1999. First, he headed Vyksa Steel Works and brought the company out of crisis. Then, he was appointed Director General of OMK and Chairman of the Board of Directors of VSW. In 2002, he was elected Chairman of the Board of Directors of OMK. In addition, he was President of OMK between 2003 and 2006.

Born in 1964, A. Sedykh graduated from the Moscow Institute of Steel and Alloys (Ph.D. in Economics).

Vladimir Markin President

Vladimir Markin was appointed OMK President in April 2006. He has held leading positions in the company since 2001 including Director General of TC OMK LLC and OMK Marketing and Sales Director. He worked his way at the Vyksa Steel Works from Pipe Finishing Subforeman to Large Diameter Pipe Shop Deputy Manager, Head of the Marketing and Sales Department and Deputy Director General.

Born in 1954, V. Markin graduated from the Moscow Institute of Steel and Alloys with a degree in Metallurgical Engineering.

Natalya Eremina Deputy Chairman of the Management Board, Vice President

Natalya Eremina was appointed OMK Vice President and Head of the OMK Corporate Centre in April 2006. Mrs Eremina has held leading positions in the company since 2001, having joined OMK to take the position of Head of the Controlling Department. In 2004, she became Director for Corporate Finance and Investor Relations. Prior to OMK, she was Head of the Interbank Credit Department, Head of the Lending Division and Deputy Chairman of the Management Board of JSCB Metallinvestbank.

Born in 1971, N. Eremina graduated from the Faculty of Mechanics and Mathematics, M.V. Lomonosov Moscow State University, with a degree in Mathematics.

Dmitry Chernyshev Vice President

Dmitry Chernyshev was appointed OMK Vice President and Director for Research and Strategy in November 2007. He has been working with the company since 2002 and has served as Project Manager, First Deputy Director General of Almeteyevsk Pipe Plant and Director for Strategic Development of Vyksa Steel Works. From 1996 to 2001, he held different positions in business development divisions of a number of Russian industrial companies.

Born in 1974, D. Chernyshev graduated from the M.V. Lomonosov Moscow State University and the Academy of National Economy under the Government of the Russian Federation with a degree in Strategic Management.

Eduard Stepantsov Vice President

Eduard Stepantsov was appointed OMK Vice President in December 2008. He joined the company in 1999 when he was offered the position of TC OMK Director General. In 2001, E. Stepantsov was appointed OMK Deputy Director General and Director for Commercial Matters. From 2003 to 2008, he worked in the private investment sector.

Born in 1963, E. Stepantsov graduated from the Irkutsk Institute of National Economy with a degree in Economics and Procurement Planning.

Yulia Shkhiyants Vice President, Director for Economy and Finance

Yulia Shkhiyants was appointed OMK Vice President in February 2013. She joined the company in May 2007 when she was offered the position of Director for Economy and Finance. Previously, she served as Chief Financial Officer of Greenoak Holdings and Finance Director of Zepter International LLC and KPMG Senior Auditor.

Born in 1975, Y. Shkhiyants graduated from the Peoples' Friendship University of Russia with a degree in Economics.

Svetlana Nikolashina HR Director

Svetlana Nikolashina was appointed OMK HR Director in 2003. From 2002 to 2003, she served as HR Director of OJSC VSW having previously worked for OJSC Severstal in project teams and as HR Director in subsidiary companies.

Born in 1979, S. Nikolashina graduated from the Saint Petersburg State University of Engineering and Economics with a degree in Finance and Credit and the Academy of National Economy under the Government of the Russian Federation with a Master's degree in Business Administration in Strategic Management. She also took HRM training courses.

Dmitry Stopkevich Director for Production System Development

Dmitry Stopkevich was appointed OMK Director for Production System Development in 2011. He held different leading positions in the company, including Project Manager of the Business Development Administration, Director General of OMK-EcoMetal LLC and OMK Procurement Director, for seven years before this appointment.

Born in 1977, D. Stopkevich graduated from the Moscow State University of Railway Engineering with a degree in Machine Engineering.

Aleksey Mitenkov OMK IT Director, Director General of OMK-Audit LLC

Aleksey Mitenkov was appointed Director General of OMK-Audit LLC in February 2009. Four years later, he was also appointed OMK IT Director. He joined the company in April 2008 when he was offered the position of Deputy Director for Economy and Finance. From 2000 to 2008, he worked at KPMG.

Born in 1977, A. Mitenkov graduated from the Finance Academy under the Government of the Russian Federation with a degree in Finance and Credit.

OMK does business in the challenging present-day economic environment. Its operations hinge upon a variety of factors, giving rise to comprehensive risks. OMK pays great attention to risk management and seeks to mitigate any resulting risks.

Industry risks
Industry’s cyclicality
The iron and steel industry is cyclical. The business performance of iron and steel companies is dependent largely on macroeconomic changes in both the Russian and the global economies. The major consumers of OMK’s tubular products are Russian oil and gas companies. These products are applied in a variety of spheres, such as the repair and operation of existing pipelines, the construction of new pipelines, and field development. The continuing growth in the construction of oil and gas pipelines depends upon the dynamics of global energy prices. Hence, OMK’s business performance is affected by fluctuations in worldwide mineral markets. However, most large oil and gas pipeline construction projects enjoy government guarantees, which lessens such risks. By far the majority of pipelines are coming to the end of their life-cycle. Therefore, repair-and operation-related pipe consumption is not strictly dependent on price levels in worldwide mineral markets, which again reduces such risks.

Growing competition in the industry
The markets in which OMK operates for the time being are noted for their high levels of competition. Negative impact on the company’s performance can facilitate fiercer competition on the part of Russian and foreign producers. OMK has a few large consumers. A refusal by one or more of them to renew supply contracts can be detrimental to business performance. In order to mitigate the aforementioned risks, the company continues to ensure the high quality of its products and is able to keep a check on the end-to-end costs resulting from SDP and MDP production, thanks to the launch of CRC and the end-to-end costs resulting from the LDP production from the Heavy Plate Mill 5000. Furthermore, state-of-the-art and high-technology equipment allows the company to produce a wide range of pipe products, railway wheels, springs, etc.

Possible changes in prices for raw materials, electric energy and products
The metal industry is raw material intensive and energy consuming. A sharp rise in prices for raw materials can have a profound effect on the financial standing of OMK businesses. There is also a risk of electricity tariff escalation or the risk of electricity market liberalization, followed by an upsurge in prices. In order to mitigate these risks, OMK is working continuously towards energy saving and the decrease of production-related consumption indices.

The iron and steel industry is cyclical. The business performance of iron and steel companies is dependent largely on macroeconomic changes in both the Russian and the global economies.

Country and regional risks
OMK businesses operate in different regions, which is why the effects of a specific region on the company’s performance can be considered negligible. Sales of products are non-regional. However, OMK is exposed to all the risks related to the political and economic situations in the country in general. According to the company’s estimates, potential military conflict, state of emergency and strike risks are minimal, as the likelihood of such events in operations areas is negligible.

The regions in which OMK businesses operate are neither distant nor hard-to-reach. Consequently, it is highly unlikely that transport connections will be disrupted. The probability of natural disasters is very low as well. Therefore, geographic risks are negligible.

Financial risks
Foreign exchange risks
OMK is a participant in foreign trade activity and has assets and liabilities in foreign currency, for which reason foreign exchange risks can affect the company’s business performance. Consequently, OMK pursues a policy of restricting the extent of its foreign exchange exposure in order to mitigate these risks.

Interest risks
OMK businesses are widely using borrowings to deliver investment projects and fund their floating capital. Any interest rate development, therefore, can send debt servicing costs higher. For this reason, OMK adheres to the harmonized loan control policy intended to diversify the debt profile, thereby ensuring the minimization of losses from growing interest rates on either of the sources of borrowed funds.

Legal risks
Exchange control, customs regulations and duties risks
OMK has no direct risks, however, arising from or in connection with changes in tax regulations, customs control rules and customs duties, as the company’s core business has nothing to do with foreign trade transactions.

Tax regulatory risks
Today, the Russian tax legislation is being reformed, which gives place to risks that the government might introduce new taxes, increase existing taxes or amend tax administration procedures, producing a chilling effect on OMK’s operating results. The tax legislation framework is also marked by the fact that there are no consistent practices of its interpretation

and application, for which reason tax authorities might raise additional tax payment demands and impose additional penalties. OMK applies a conservative approach to its interpretation of tax laws and pays any and all accrued taxes and levies in full in due time, thereby mitigating the risks of potential claims that might be lodged by tax authorities.

Licensing requirements risks
OMK’s core business is exempt from licensing, as the company does not engage in any facilities in which turnover is limited. Consequently, the aforementioned risks cannot materially affect operating activities.

Law of practice risks
The Russian judicial system has no consistent approach to the settlement of the same disputes, since court rulings are not based on precedents. The existing law of practice can only exert indirect influence on the settlement of a specific dispute. Then again, the supreme judicial authorities of the Russian Federation take steps to harmonize law enforcement practice by issuing judicial acts, which are recommended for application by lower-level courts.

OMK’s positions are stable, and the company has a reliable risk management system

Main risks:

- Industrial;
- Country and regional;
- Financial;
- Legal.



Occupational safety is a business component as important as price, performance, quality and client relations.

5,323

employees of Trubodetal, Chusovoy Metallurgical Works and Vyksa Steel Works were trained by in-house coaches in 2013

The company's management creates conditions for safe work for its personnel and contractors and ensures ecological compliance of the company's products on a day-to-day basis by implementing brand new, safer management methods, new technologies and equipment, by the prevention of emergencies and also by increasing readiness for any such emergencies.

It is the company's top priority to provide decent and safe working conditions for its employees, in pursuance of which OMK conducts its business in line with the employment laws of the Russian Federation and is geared to international standards and best practices by applying the same requirements to all its suppliers and contractors.

In 2013, the management of OMK took steps to implement its project "Promoting Culture in Occupational and Industrial Safety" through changing the attitude of its employees towards machines, equipment, working place and safety in general.

In order to ensure the highest levels of performance in occupational safety, OMK has built an organizational framework to manage occupational safety processes, which encompasses all levels from top management down to frontline workers. The supreme HSEA management body is the Occupational Safety Committee of OMK, headed by President of OMK Vladimir Markin.

The top executives take part in safety management on a day-to-day basis by holding safety-related standing meetings, behavioral safety audits and daily visits to fabrication sites and by making efforts to prove that occupational safety is a business component as important as price, performance, quality and human relations.

In 2013, OMK decided to improve safe working standards. Under this programme, OMK businesses review procedures and guidelines reflecting and visualizing occupational safety and environmental matters on step-by-step job completion cards and in operating procedure standards.

All OMK plants have developed and implemented a communications programme in the sphere of occupational safety, under which they inform employees of all occupational and industrial safety matters, hold children verses and drawing contests about safety, and shoot and show movies about occupational safety.

The Vyksa Steel Works has been training its executives and employees in holding behavioural safety audits since 2011. Furthermore, the company has developed and held occupational safety workshops for its employees. The Trubodetal and Chusovoy Metallurgical Works selected and trained their specialists (in-house coaches), who hold separate workshops for workers, executives and employees, dedicated to all new standards. In 2013, in-house coaches trained 1,741 employees of Trubodetal and CMW and 3,582 employees of VSW.

OMK also implements a handful of programmes on occupational safety management system automation, such as: "Automated system for noncompliance registration and analysis" and "Electronic system for registration of post-accident investigation actions", which allows executives to immediately respond to issues; "Automated system for occupational safety training", which allows employees to improve their knowledge and to promptly learn about any and all changes affecting occupational safety matters.

In 2013, OMK decided to improve safe working standards. Under this programme, OMK businesses review procedures and guidelines reflecting and visualizing occupational safety and environmental matters on step-by-step job completion cards and in operating procedure standards.

In 2013, the OMK Group had no fatal accidents and its injury rate declined by almost 8% y-o-y largely thanks to commitment (in fact rather than in word) and personal leadership of the company's top managers to implementation of occupational safety processes and programmes.

In order to avoid recurring accidents, OMK developed and implemented a brand new procedure for accident investigations covering any and all accidents, including hazardous ones, which is based on the search for system causes and development of effective remedial actions. In-depth analysis of all the causes for accidents at all levels of management allows OMK to further improve its occupational safety management system, avoiding reoccurrence of accidents.

In 2013, Trubodetal and the Casting and Rolling Complex in Vyksa were successfully certified for compliance with OHSAS 18001:2007 and ISO 14001:2004 international standards.

In December 2013, OMK held the meeting of the Occupational Safety Committee at which the OMK President set occupational safety tasks for the year 2014, namely to continue development of culture in occupational safety at OMK businesses; to implement and develop automated occupational safety management systems; to develop, execute and implement occupational safety standards and guidelines based on risk assessment and step-by-step job completion cards reflecting and visualizing occupational safety matters.

8%

decrease in injuries against 2012



OMK makes a considerable effort to lower the impact of the factories' operations on the environment. We implement the most advanced solutions and care about water resources, reduce emissions, save energy and process waste.

OMK investments into ecological projects over 2009/2013, mln USD

2009	2010	2011	2012	2013
2	0.6	1.5	4.7	13

>40 mln

USD invested by OMK in ecological projects over the last 10 years

In 2013, we continued investing in new facilities. This enables us to produce profitable products using state-of-the-art technologies and thereby avoiding damage to the environment.

Environmental protection is one of OMK's top priorities. We make a considerable effort to lower the impact of the factories' operations on the environment, paying special attention to a comprehensive solution in the regions where the company has its affiliates.

We believe that the main way to reduce the negative impact on the environment, without affecting the social component, has to do not so much with pure environmental actions as with using more advanced equipment.

Ecological modernization goes hand in hand with the overall upgrading of production. We believe that it makes sense to invest in new production facilities since this enables us to produce profitable products using state-of-the-art technologies and thereby avoid damage to the environment.

OMK is currently making preliminary arrangements to begin the construction of an integrated Pipe and Steelmaking Complex at the Chusovoy Metallurgical Works. Replacing the plant's current technology, the complex will reduce air

emissions by 70%. Water consumption will be reduced significantly. Since the plant relies mainly on water from the river, the reduced water consumption will lower the impact on the surface water. Furthermore, the volume of wastewater flowing out will be reduced by a similar quantity.

In these ways, OMK is drastically lowering its negative impact on the environment in Chusovoy without losing any production.

OMK's closest focus is on the development of the US-based OMK-Tube plant; implementing new investment projects at the Blagoveshchensk Valves Plant as part of its incorporation into the OMK group; and the construction of the Pipe and Steelmaking Complex in Chusovoy. Every project will take into account the environmental protection issues and the rational natural resource usage.

Ecological management

OMK is set to comply not only with Russian environmental protection legislation but also with the international environmental protection requirements.



Integrated management systems (IMS) have been introduced at OMK’s plants for environmental and health protection, and production safety. In 2013, Bureau Veritas Certification, an international company, audited the IMS at the Vyksa Steel Works, Chusovoy Metallurgical Works and the Trubodetal factory in order to monitor their compliance with the ISO 14001:2004 international environment protection standard and the OHSAS 18001:2007 labour safety and professional health standard. The audit showed that the IMS of each of the affiliates meets the requirements of the abovementioned standards, which is reflected in the certificates issued to the companies.

IMS introduction was completed at Vyksa’s Casting and Rolling Complex in 2013, and the first successful audit was finalized in July 2013 by Bureau Veritas Certification, which issued certificates on the IMS’s compliance with ISO 14001 and OHSAS 18001 valid until 2016.

The auditors noted the management’s interest in implementing and improving the integrated management, the high level of staff competence, and the good state of the production infrastructure. The facility’s technical and programme equipment, the automated management and monitoring systems for the main production processes, and the availability of individual staff protection kits were highly praised.

We continue preparing the Almeteyevsk Pipe Plant and the Blagoveshchensk Valves Plant for their ISM certification, which are scheduled for the end of 2014 and the beginning of 2015.

Ecological control
In 2013, as part of the ecological control of the production processes, the specialists from the ecological safety department of OMK inspected the plants to make sure that they comply with the requirements of the environmental protection legislation. Accredited ecological analysis laboratories evaluated the industrial air discharges and studied the air in the plants’ buffer zones, wastewater, natural water resources, and soils.

Our affiliates are engaged in environmental protection activities as envisaged by the legislative and permits documentation approved by the territorial authorities of the Federal Supervisory Service for Nature Use and the Federal Supervisory Service for Consumer Rights Protection and Human Well-Being.

OMK strives to comply with the International Finance Corporation (IFC) standards for ecological and social responsibility. We ensure that the IFC levels of impact on the environment are followed.

Cutting air emissions
Last year OMK participated in the All-Russia “Zero Impact on the Environment” effort initiated by the Ministry of Natural Resources and Ecology of Russia. It envisaged a voluntary halt of activities affecting the environment for a short period of time. All OMK’s affiliates participated in the effort. At the same time, each of the plants is working along a plan to minimize their impact on nature, in particular on reducing air emissions.

After the Vyksa Steel Works installed the gas and dust collecting equipment at the plasma arc cutting line 1420 in 2013, the air polluting emissions dropped by 30 t/y.

In 2013, after the Trubodetal factory switched from the hot drawing of elbows to the cold deformation technology (for seamless welded knuckle bends with a diameter of 57-114 mm) the consumption of natural gas has dropped by 3,500 m³ per ton of finished products. This will ensure a reduction in polluting emissions in 2014.

The Chusovoy Metallurgical Works emitted 50% (4,657 t) less air polluting substances from stationary sources in 2012, as a result of the production upgrade – the stopping of the sinter/heat furnace and converter productions, and rolling mill 250. A total of 19 pollution sources were eliminated at the factory.

In 2013, the gas-purifying facilities at the company’s affiliates underwent current and major renovations.

Caring about water resources
The Vyksa Steel Works will launch the waterpurifying facilities at discharge outlet-5. The facilities are to purify the wastewater discharged to the Zheleznitsa River. Construction will be finished in 2014. OMK invested 3.4 mln USD in implementing this wide-scale project.

The Chusovoy Metallurgical Works completed an overhaul of its operating water-purifying equipment on the wastewater ozone treatment facility at the ferroalloy shop, costing 100,000 USD. In order to reduce the pollutants in the wastewater discharged into the river, an upgrade of the sewage networks was completed at the Casting and Rolling Complex in 2013, costing 100,000 USD. The investment resulted in lowering the level of pollutants discharged into the river by 63.5% against 2012.

Energy saving
Supervised by OMK’s energy development department, all of the company’s affiliates draft and implement energy-saving programmes every year. In 2013, we managed to save 66.57 million kWt/h of electric energy, 16.96 million m³ of natural gas, 1.6 million m³ of water from underground and surface sources, 170 t of fuel oil, 46,000 Gcal of heat energy, and 617,000 m³ of compressed air. All this enabled us to reduce the company’s energy-related expenses by 7.5 mln USD. The Vyksa Steel Works made the biggest contribution to the economy. The power engineers plan to reduce energy-related spending for OMK affiliates by another 4.4 mln USD in 2014.

In line with the best world practice, OMK is promoting energy-saving activities through presentations, leaflets and instructions in schools.

OMK power engineers are making a planned transition from solving the energy-saving issues to increasing the energy efficiency. It is becoming increasingly obvious that saving must be replaced by optimal consumption and by skilful consumption planning.

For example, at all stages of building the Pipe and Steelmaking Complex in Chusovoy, we focus on energy efficiency. The participation of power engineers when purchasing the equipment makes it possible to control every step from pre-project facility solutions to its commissioning and operation. As a result, the new complex will use highly efficient technologies and equipment. For instance, the per unit energy consumption for producing liquid steel will be lower than that of the Casting and Rolling Complex by 25%: 405 kWt/h against 305 kWt/h per ton of steel.

The Pipe and Steelmaking Complex has introduced activities that are used effectively at other OMK plants. We are planning to use the energy balance optimization and energy loss elimination technologies in the power supply facilities by reducing their length, bringing the resource generator closer to the consumers, and by using energy-saving lights, equipment and technologies together with heat energy recuperation. The solutions will cover all key aspects of energy efficiency of each element from organizing internal transport at the plant and using small mechanisms to clever buildings.



Waste processing
OMK’s goal is to minimize the impact on the environment at waste disposal locations. In 2013, we’ve seen a stable situation in this field. The Casting and Rolling Complex set up special locations for storing paper and cardboard waste at administrative and other buildings belonging to the company for the waste to be then transferred to a third party for processing. Previously the waste, amounting to 8 t/y, was buried. Since 2013 it’s being reprocessed.

The aim of setting up ecologically safe production was pursued by installing the clogging system for metal shavings at the Vyksa Steel Works. It provides 100% resource processing and return to production. The equipment was commissioned in October 2013 with a budget of 7 mln USD.

In 2013, the Vyksa Steel Works finalized the drafts for the following projects: a second map of the garbage and industry waste site, the buffer zone, and the evaluation of the risk to the population’s health. The drafts received a positive conclusion from the state ecological experts at the Volga Region Federal District’s department of the Federal

Supervisory Service for Nature Use. The Federal Supervisory Service for Consumer Rights Protection and Human Well-Being in the Nizhny Novgorod Region gave a positive sanitary and epidemics conclusion on the buffer zone project. Construction work is planned for 2014.

In July 2013, the Trubodetal factory finalized a full-scale renovation of the hydraulic press for hot drawing of elbows with a diameter of 250-600 mm. This resulted in a 3% fall in oil consumption between July and December 2013 against a similar period in 2012.

The company seeks to ensure that OMK’s labour conditions allow every employee to unlock his or her full potential and skills.

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The success of OMK is based upon our employees: ambitious, committed professionals guided by the principles of sympathy, cooperation and mutual respect.

OMK personnel over 2009/2013, employees

2009	2010	2011	2012	2013
26,346	25,645	21,422	21,993	28,546

12%

growth of investments in OMK personnel in 2013 compared to 2012

Enjoying brisk growth, the company offers real prospects for professional and career advancement. OMK uses its best efforts to improve the level of qualification of its employees on a continuous basis, since it understands that investments in skilled personnel are fundamental to long-term success. In 2013, total personnel expenses went up by 12% y-o-y.

Personnel training and development
In 2013, OMK trained its personnel in the areas that are traditional for the company through:

- professional training;
- compulsory education;
- development programmes for the company’s employees.

The Vyksa Steel Works is taking part in the presidential career development program for engineering skills for the years 2012-2014 in concert with Moscow Institute of Steel and Alloys. A total of 75 employees are trained according to the programme “Metallurgical equipment maintenance and repairs for the improvement of energy efficiency and resource conservation in metallurgical technologies”. VSW co-funds one third of the programme’s costs.

Furthermore, VSW has been implementing the automated training system (ATS) based on the SAP IT system since February 2013. In 2013, there were over 3,000 person-courses.

The company regularly holds occupational safety training courses for its employees and executives through the programme “Development of conscious attitude towards safety”. This started in 2010 and has been implemented by in-house trainers ever since.

OMK implements the following development programmes at the Vyksa fabrication yard (VFY), a primary facility of the company:

- “Efficient Management Department” for successors to chief foremen/team managers. In 2013, 92 employees took part in the programme.
- The “Production System Academy” programme is designed to engage VFY employees in productivity and production performance improvement. A total of 236 employees took part in this programme.

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OMK’s traditional corporate sports event – OMKiad

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In 2013, the Chusovoy Metallurgical Works developed a mechanism for long-term internships at the OMK businesses in order to ensure forward-looking professional training of the key process personnel for a new electric furnace steelmaking facility. The first candidates were selected by the company in the autumn of 2013. Vyksa hosted the first internship in October.

In 2013, we held centralized training in primary SAP IT system functions at the Almet'yevsk Pipe Plant, Trubodetal and Chusovoy Metallurgical Works, since this IT system has been implemented at these facilities.

In 2013, OMK launched new corporate-wide programmes for the development of executives and the training of successors to managerial positions/jobs: “Managerial Minimum” and “OMK Production Elite”.

The “Managerial Minimum” programme has been developed for the mass training of current executives and their successors in the corporate standard for meeting regular governance challenges. The programme has a mixed format: distance learning and full-time education, something the educational services market currently does not have and something that truly is a unique intracorporate educational product. OMK employees take most training courses in the distance learning format (SAP LSO). Successful completion of the programme is confirmed by the respective qualification. In 2013, the programme was implemented at 5 facilities of the company: in Moscow, Vyksa, Chusovoy, Almet'yevsk and Chelyabinsk. Over 1,500 executives and their successors have completed training successfully.

The purpose of the “OMK Production Elite” programme is to train in-house professional managers ready to take leading positions in production units. Only 35 participants have been chosen for the programme from among 5,800 candidates. They started their training according to the MBA – Production Systems program at the M.V. Lomonosov MSU Graduate School of Business Administration.

In 2013, OMK continued its corporate-wide efforts under the HR-business Partnership programme (HR-business partners are experienced managers able to increase the company’s effectiveness using the personnel’s potential). The company held two working meetings on the development of professional competences under the above-mentioned programme. In addition, OMK carried out the first corporate contest “Best HR-business 2013” and held the second annual conference “HR-business Partnership”, which was attended by 70 HR-business.

In 2013, OMK held over 24,000 person-courses, i.e. every employee of the company attended at least one training classroom event.

The distance learning format is gaining ground in OMK’s personnel training system, as it is closest to the working place and requires minimum day release of employees. Thus, in 2013, every other employee spent an average of two hours on the corporate distance learning system.

HR professionals from all of the company’s facilities took part in the formalization of corporate-wide personnel training rules, which brought clarity, transparency and unambiguity to planning of the personnel training organization and its delivery.

In 2014, we will continue to train our employees in the aforementioned fields and define new areas for development.

Cooperation with learning institutions
In 2013, OMK continued to implement its corporate OMK-Campus programme designed to train highly-skilled steelmakers for the company in the leading national universities (NRTU Moscow Institute of Steel and Alloys and Saint Petersburg State Polytechnic University).

A total of 10 masters who completed master’s programmes at the Moscow Institute of Steel and Alloys with degrees in rolling and steelmaking processes have been sent to the engineering and technology centre and the large-diameter and oil and gas pipe divisions.

In 2013, two persons who made it past selection for the corporate OMK-Campus programme entered master’s programmes at the Saint Petersburg State Polytechnic University, majoring in welding process fundamentals.

We create conditions to develop and unlock the creative potential of our young professionals – OMK-Campus graduates – and contribute to the fulfilment of their ambitions in handling production tasks. In 2013, 10 master’s degree graduates, who took part in the OMK-Campus programme, were appointed process engineers, a job suggesting and allowing them to handle the most difficult technical and process tasks, requiring a high level of professional training of a specialist engineer.

In October 2013, the company held its traditional 6th annual research-to-practice conference of young OMK professionals. Over 100 attendees from all the companies of the company took part in 8 subpanels of the conference. The panel of peers chose 34 winners in different nominations, and 3 employees of the company were rewarded with internships at foreign plants.

In 2013, the company held a number of very important career guidance events intended to improve the educational and social environment and motivation of school students when it comes to selection of steelmaking professions, as well as the intelligence of the pre-teen population.

The company and the OMK-Uchastie charity fund held the Magic of Science and Creativity Festival and implemented a programme of career guidance events for school students from the Vyksa city district. In April and November 2013, the company held the “Industry” career guidance business game for 9th year school students and the “Ourselves!” identity forum for 10th and 11th year school students. Over 350 students from Vyksa schools attended these events. Children learnt about more than 70 professions, attended workshop sessions conducted by leading professionals of Vyksa-headquartered OMK businesses and took part in VSW and CRC guided tours. →



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Work team of the A shift (Alexey Priupolin is the foreman) of the wheel-rolling mill’s thermal station (the Railway Wheels division of OMK) is the winner of the Ivan and Andrey Batashev Fund’s awards



In order to improve professional pedagogical excellence, the best Saint Petersburg career coaches held a two-day training workshop in Vyksa in the summer of 2013 for 70 school teachers from the city district and instructors from such basic learning institutions as the Vyksa Branch of the R.E. Alekseev Nizhny Novgorod State Technical University, the Vyksa Branch of the Moscow Institute of Steel and Alloys and Vyksa Polytechnic College.

In 2013, OMK also held the 3rd “My Favourite Subject” project competition among Vyksa city and district teachers, which stimulated teachers in professional advancement and in the development of skills in applying best teaching practices and technologies during their lessons, thereby raising the interest of school students towards physics and mathematical studies.

In 2013, VSW took part in the formation of robot technology classes for school students.

Participation of senior high school students in the contest for the Batashev Brothers Award also heightens interest in the selection of metallurgical qualifications and professions. Thus, 5 school students from the Vyksa city district won the contest in 2013 and will receive monthly scholarships throughout the academic year.

In 2013, the company allocated over 300,000 USD for career guidance events.

Operational structure
As at the end of 2013, the company has offered jobs to 28,800 employees; over 2,000 jobs of these have been created in recent years thanks to the launch of new production facilities.

The new division-based structure will allow OMK to improve efficiency and management quality thanks to closer relations within the value creation chain between the needs of our customers and the prompt delivery of finished products to them.

Personnel incentives and labour compensation
In 2013, OMK businesses continued to meet milestones in labour compensations. Average wages at OMK have increased by 6% y-o-y. OMK’s wages are on average 30% higher than average wages in the company’s operations areas. The company implements a policy of basing salary increases on reaching key performance indicators. This approach rewards those who work effectively and is more appropriate than using customer price indexes. This policy increases both the buying power of our personnel and the company’s effectiveness.

Community programmes, employees and benefits
In 2013, OMK continued to implement a wide variety of community programmes throughout the regions of its operations.

The company takes steps to organize health promotion and proper recreation for our employees and their families, and for retirees. OMK plants try to prevent occupational diseases by means of their own health centres. Employees and their families can rest and undergo health resort treatment at external and corporate health and recreation resorts and recreation centres. Corporate treatment and recreation centres are in high demand among the company’s employees thanks to the low cost of trips for employees and their territorial availability. The company offers children of employees and children from needy families and orphans a chance to spend time at health camps and children’s holiday camps during their summer holidays.

In 2013, OMK continued to implement a wide variety of community programmes throughout the regions of its operations.

OMK supports sports, education and culture, promotes a healthy lifestyle and develops infrastructure. In the operational areas, the company organizes sports clubs and athletics classes. OMK makes allocations to maintain gyms, stadiums, pools and rinks and holds sports events and competitions at these facilities. We also help children’s creativity clubs, studios, museums and art galleries and protect cultural monuments and heritage-listed buildings.

In 2013, OMK attracted 14% of the company’s employees to join corporate pension programmes funded by the non-state pension fund Gefest. The proportion of employees who subscribed to corporate pension programmes went up by 60% y-o-y. A housing policy designed to render corporate assistance to employees who are willing to take mortgage loans to purchase residential property was developed in order to attract and retain highly-skilled professionals. OMK’s Vyksa fabrication yard has successfully implemented a housing programme, which offers corporate lodging for employees invited from other regions subject to hire purchase.

In order to improve the social security of employees and implement additional benefits and guarantees, many OMK businesses have introduced meal allowances. With such meal allowances, the number of employees having their meals in cafeterias more than doubled. In order to improve the quality of catering services, in 2013, VSW engaged a large chain corporate catering operator deemed a leader in the service of manufacturing ventures. Trubodetal has resolved to engage it in 2014. Such steps will allow the company to improve and maintain the high and stable quality of meals and to reduce the average meal cost.

Financial aid for corporate retirees from a deprived background is one of the building blocks of the OMK social policy. Every company of the OMK Group has enacted collective agreements, which include employment benefits and guarantees and additional benefits for corporate retirees. The company’s collective agreement provides this category of employees with payments for medicines and medical equipment, reimbursements for solid fuels, residential rehabilitation assistance for homeowners whose housing was damaged by natural disasters, payments dedicated to professional and calendar holidays, etc.

Financial aid for employees is one of the highly requested types of programmes. Every company in the OMK Group offers financial aid to large families, families of employees who have disabled children, young employees and families of employees giving birth to children. The companies also support families from a deprived background by paying financial aid. OMK also makes non-recurring payments to employees, limited to anniversaries and professional holidays.





People are OMK’s core value.
An active social policy is an
integral part of OMK’s strategy.

>160 mln

USD has been invested
by OMK for social projects
in 2005/2013

16 mln

USD – OMK’s sponsorship
and charity expenses
in 2013

In 2013 OMK sponsored the World Combat Games, ski event OMK Sprint, and the Batashev brothers’ sambo tournament. Also the company as usual staged an annual “Victors’ Ball” with participation of the Great Patriotic War’s veterans and organized a number of charity events with the OMK-Uchastie Charity Fund.

OMK intends to become a leader in the world’s metal industry. It is crucially important for us to weigh our business objectives against the interests of our operational areas. The company seeks to ensure that there is an efficient social infrastructure in its operational areas. OMK honours its civil obligations and public duties by paying taxes and continuously improving social standards at its facilities.

An active social policy is an integral part of OMK’s strategy. The company views community programmes as its long-term investments in the stability of local communities in operational areas. We seek to create and strengthen long-term relations with the public and to maintain an open dialogue with non-governmental organizations, local authorities and other stakeholders.

People are OMK’s core value. It is their professionalism that is fundamental for the company’s prosperity. OMK’s unity is defined by such essential principles as solidarity, continuity, responsibility and development.

Charity and sponsorship
OMK pays great attention to charity and sponsorship projects. We improve living standards in regions and help shape an appealing, aesthetic and cultural environment. OMK’s social responsibility includes support for culture, sports, education, vulnerable categories of citizens (children, retirees, disabled people), transformation of the urban space and corporate assistance. Job security for the local population, employment of graduates from dedicated universities and assistance in internship at OMK businesses are among our priorities. We encourage and promote a healthy lifestyle, advocate clemency and develop social initiatives.

- Key sponsorship and charity expenses in 2013:
- support for sports – 2.2 mln USD;
 - community programmes (assistance to child welfare institutions and vulnerable sectors of the population) – 3 mln USD;
 - assistance to religious organizations – 0.5 mln USD;
 - promotion of patriotism, assistance to war veterans – 0.3 mln USD;
 - education, support for educational programmes – 1.5 mln USD;
 - support for cultural programmes – 1.3 mln USD;
 - special programmes in operations areas – 1.1 mln USD.

- Support of sports**
We love sports and support a healthy lifestyle. In 2013, OMK sponsored and organized the following events:
- World Combat Games in Saint Petersburg, the largest event in the world of martial arts, which was held in Russia under the auspices of the International Olympic Committee. OMK became a partner and a sponsor for the national broadcast of the World Games.
 - OMK-Sprint – World Snow Day at OMK. Ski sports, cross-country skiing in particular, are among the mass and affordable sports cultivated by OMK businesses. Furthermore, cross-country skiing is considered to be the favourite sport among athletes of different ages, levels of training and employment. In 2013, over 500 athletes took part in competitive skiing under the auspices of OMK.
 - The Sports Against Drugs Programme implemented in Vyksa is intended to improve the physical, moral and spiritual culture of children, teenagers and young adults through drug abuse prevention and healthy lifestyle promotion. Such events are held throughout the year: street competitions among sports teams, an exhibition gala, a sports fair, football and volleyball tournaments, RSG competitions, combat festivals, a photo competition and many others.

We also held the Batashev Brothers unarmed combat tournament, built recreational grounds, helped sports institutions and supported football clubs and combat sport schools. →

OMK seeks to develop sports, culture and education, and keep Russia’s historic legacy. People who work at our company are talented, broad-minded personalities.

→ The support we offer for sports events promoting a healthy lifestyle has become a true tradition for OMK. OMK is proud of the unarmed combat school of the Vyksa Steel Works. The school has raised dozens of the world and European champions over the 35 years of its existence. Over the last twenty years, the Vyksa school trainees have always been in the national unarmed combat squad.

Community programmes
Children’s support, one of the company’s top priorities, is a part of all OMK’s programmes in the development of children’s and youth sports, culture, charity and sponsorship programmes. The support we offer to child welfare institutions and vulnerable sectors of the population includes split-level programmes in operational areas. In the reporting year, we renovated the swimming pool in Vyksa, provided assistance to orphan asylums and special schools and hosted different charity events.

Promotion of patriotism and assistance to war veterans
Every year, OMK, the Māris Liepa Fund and the Central Museum of the Great Patriotic War host the Victors’ Ball dedicated to the Russian Day of Military Honour, commemorating the defeat of the fascist troops near Moscow. 500 people attended the event in 2013. We love and support war veterans: every year, we organize major celebrations of Victory Day in every operational city of OMK.

Support of education
We take care of the younger generation and train young skilled professionals for the Russian steelmaking industry. The company provides significant support to improve training facilities, which allows its coaches to keep academic activities in line with the latest trends and to purchase scientific equipment for the laboratories. We support learning institutions specializing in

metallurgy, such as Vyksa branches of the R.E. Alekseev Nizhny Novgorod State Technical University and Moscow Institute of Steel and Alloys, Vyksa Polytechnic College, schools and houses of technical creativity. The joint projects of OMK and the Moscow Institute of Steel and Alloys – www.metalspace.ru educational portal and the Metallurgy and Time encyclopedia – have received recognition by the expert community and enjoy popularity among school students. We developed and implemented educational identity programmes (“Ourselves”, “Magic of Science and Creativity”) for school and university students.

Culture development
An essential block of OMK’s social policies is development of areas by creative methods and approaches through implementation of cultural and educational projects, which contribute to shaping a new, appealing aesthetic and cultural environment.

One of the milestone social projects of the company is the annual festival of new city culture “Art-Ovrag” in Vyksa. The purpose of the festival is to create a new image for the provincial town of Vyksa as an intellectual centre of youth culture, having both modern manufacturing facilities and a unique festival of contemporary art and to build a year-round festival site for education and the unlocking of the cultural and artistic potential of the town’s inhabitants. The festival includes different cultural fields: visual art, architecture, music and dancing, together with some of the latest trends in youth subcultures. In 2013, the festival participants created over 30 art objects and 38 murals, which they left behind for the town. A total of 20 artists from 13 countries of the world came to the festival. There were over 50 creative and sports workshops for the town’s inhabitants. Over 5,000 people attended the festival over the three days.

In addition we supported the Prizvanie cultural and leisure centre and the Gornitsa cultural and leisure centre for the elderly people in the village of Novosineglazovsky (Chelyabinsk region), as well as helping other cultural institutions in the company’s operational areas.

Care about historical legacy
In 2013, we completed the renovation and improvement of the historical area of the ground floor of the Batashev-Shepelev (founder of the Vyksa Steel Works) estate in Vyksa. OMK has allocated over 15.5 mln USD for restoration of the Batashev-Shepelev’ main park house, the park’s parterre zone, as well as for other objects in Vyksa’s historical centre that are nationally important, and over 47 mln USD for development of the city’s social and cultural infrastructure. In May 2013 OMK was nominated for the Cultural Legacy award for the restoration of the estate.

The museum of the Vyksa Steel Works’ history that has been opened in the Batashev-Shepelev estate is one of the largest private museums of Russia. Over 15,000 people visit it every year.

OMK launched a project to preserve Russian industrial architectural monuments at the Vyksa Steel Works – a water tower and aisles in the sheet rolling shop, built to the designs of outstanding Russian engineer Vladimir Shukhov in the late 19th century (currently unoccupied). The measures will help to preserve the historical look of the buildings but also give the go-ahead to possible future visits under a programme to develop industrial tourism in the Vyksa district of the Nizhny Novgorod region.

OMK achievements in 2013:
“Cultural Heritage” national award – for efforts to restore the heritage-listed building of the industrial estate of the Batashev-Shepelev.



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01
“Victors’ Ball” linked to the Russian Day of Military Honour

02
Every three months OMK plants and the head office host donors’ events

03
Children’s visit to the Heavy Plate Mill 5000 in Vyksa

04
Young participants in the ski festival in Vyksa

05
One of the areas of the “Art-Ovrag” festival

A winner of the regional contest hosted under the auspices of the Nizhny Novgorod regional government “Regional Innovations 2013” in the nomination “Social Innovation” for the project on restoration of the industrial estate of the Batashev-Shepelev in Vyksa.

The Leaders of Corporate Charity Contest. Award winner in three nominations:

- “Art-Ovrag” Festival – “Best Programme on Contemporary Art Support” nomination – first place;
- www.metalspace.ru educational portal – “Best Programme Contributing to the Development of Professional Training in the Russian Federation” nomination – first place;
- “Vyksa – A City of Equal Opportunities” charity programme – “Best Corporate Charity Programme in the Company’s Development Strategy” nomination – third place;

Annual Festival “Art-Ovrag” in Vyksa, Nizhny Novgorod region in 2013 gained support from the Federal and regional expert community and the Ministry of Culture of Russia.

The festival’s achievements:

- The festival became a prizewinner of the international street art forum “Street Contribution”;
- The festival and the company became prizewinners of the Best PR practice forum “Serebryany Luchnik-Privolzhye”;
- The festival was selected for the shortlist of one of the most prestigious international PR awards – “SabreAward” in two nominations;
- The festival and the company won the contest for leading patrons and charity provider in arts according to the “Industry and Society” magazine;
- Vyksa became a part of the regional tourist route.

The www.metalspace.ru educational portal became a prizewinner in the nomination “Best Educational Project: Programmes For Graduates and Young Professionals”. Human Capital 2013 Award.

OMK also won the Russian national contest “Russian Organization of High Social Responsibility 2013”.

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