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MESSAGE FROM
VLADIMIR MARKIN,
President of United Metallurgical Company

DEAR COLLEAGUES!

2009 was the year of stress test for both international and domestic metallurgy in general and our company in particular. I am happy to state that we have passed the test. Last year was marked for us by large-volume product supplies in a number of landmark projects. We owe these victories to timely investments in the production upgrading. The main projects are Nord Stream. For its first line we have fully shipped the entire volume required. We have completed pipe supplies under the Central Asia—China project. Each of these pipe batches is a brand new product for the Russian metallurgy with unique hardness and environmental stability characteristics.

The reporting year also saw successful performance of the contract with DAMAGIX for the supply of pipes for the construction of OML gas pipeline in Nigeria. Total is the end customer under the project.

In general, 2009 was challenging for all Russian piping companies. According to our estimates, in 2009, pipe output in the Russian Federation dropped by 13.7% (6.85 million tonnes) versus 2008, whereas pipe product consumption fell by 16%. Naturally, this was caused by a number of systemic shifts in certain branches of the Russian economy and other countries consuming Russian products in the context of overall crisis scenario in the world and Russian economy. The processing industries such as mechanical engineering and metal processing as well as housing services and public utilities (thermal power industry, gasification) and civil and industrial construction suffered most due to cost reduction in the crisis period, causing a decrease in demand by 50—60% in these economic sectors.

In the reporting year, in the context of continued crisis phenomena in the global and domestic economy, OMK increased pipe output instead of reducing it. Pipe product output grew by a total of 7.4%. Our plants produced 1.652 million tonnes of pipe products, 4 thousand tonnes more than in 2008 (1.538 million tonnes of pipes). Our share of Russia’s pipe production market grew, too. In 2008, OMK accounted for 19.6% (1.538 million tonnes) of the total pipe output of Russian companies, including 41% (738.9 thousand tonnes) of large-diameter pipes, whereas last year our share of the production of all types of pipes increased to 24.1% (1,652 million tonnes); the share of large-diameter pipes grew to 50.6% (962.8 thousand tonnes).

It should be noted that such success in the crisis environment was mainly owed to the correctly chosen strategy.

I would like to emphasize the role of sales and commercial business units of OMK. Their professionalism and persistence are an essential condition for conquering new target markets and executing contracts which are beneficial for the company. In general, the company’s success is guaranteed by the concerted and smooth interaction among the production sites and sales functions.

The principal factors of stability are long-term contracts and the timely upgrading and automation of production by the enterprises of our company.

Moreover, we developed and consistently implemented crisis management program aimed at optimizing production and saving resources.
Our key investment efforts focused on our principal projects of recent years. These are Casting and Rolling Complex (CRC) and Mill 5000.

Under the Mill 5000 project, Vyksa Steel Works obtained a loan of EUR 347 million to finance equipment procurement from SMS Siemag AG. This is the largest transaction involving export credit agencies for Russian corporations in 2009. The loan was extended until 2022 by a pool of Western banks consisting of Bayerische Landesbank Munchen, Germany; BNP Paribas SA Paris, France; Commerzbank Aktiengesellschaft Frankfurt am Main, Germany; Landesbank Baden-Worttemberg Stuttgart, Germany; Landesbank Hessen-Thuringen Girozentrale Frankfurt am Main, Germany; Societe Generale Paris, France; WestLB AG Dusseldorf, Germany. Commerzbank Aktiengesellschaft Frankfurt am Main, Germany, acting as advisor to VSW in the transaction, is also a coordinating leading deal maker and register keeping agent. We would like to thank our financial partners for their confidence.

On CRC, we mastered the production of the steel brands needed by our pipeline companies and other industries such as the construction industry, railroad mechanical engineering, etc. We launched the production of shaped product mix with rolled product thicknesses ranging between 1.8 and 12.7 mm; width, between 1,000 and 1,760 mm. We tested the production of extra-thin thicknesses, i.e. 1.2 mm bands.

I would like to emphasize our achievements such as gold medal at the MetalExpo 2009 Show awarded to the above-mentioned pipes for the Nord Stream project. Silver medal was awarded to the products made by Trubodetal plant. The acknowledgement of our achievements by the principal partners indicates high professionalism and reputation of OMK among oil, gas and metallurgical industry participants. For example, in 2009, the Vankorskoye field of Rosneft, whose construction began in 2006, was put into operation. For responsible approach and professionalism in supplies for the project (about 100 thousand tonnes of pipes were shipped), S. M. Bogdanchikov, President of Rosneft, expressed gratitude to our company.

At the Chusovoy Works, we mastered new production of springs using the bulk and surface hardening technology, launched three new German mills producing parabolic springs and introduced the new coloring line. Currently, a new thermal treatment line is being assembled at CMW, its launch will allow producing the first domestic air suspension arms for trucks. This production has no parallel in Russia.

In the reporting year, CMW became the first Russian enterprise to be certified by Volvo as a potential supplier. The supply of springs products to the car assembly plant built by Volvo in Kaluga is currently being reviewed from the technical standpoint.

The sales of fittings for pipelines with sizes exceeding 530 mm increased. Trubodetal is aggressively developing and mastering the production of new pipeline fittings.

Tatneft expressed gratitude to us for the supply of pipes under the Kaleikino Booster Station—Nizhnekamsky Refinery project.

We are constantly moving to increasingly complex and unique products, ensuring the company’s sustainability and prospects.
MESSAGE FROM
VLADIMIR MARKIN,
PRESIDENT OF UNITED
METALLURGICAL COMPANY

In 2010, our key efforts will focus on a few top-priority areas. The first one is the construction of Mill 5000. This year, we will invest more than RUB 16 billion in its construction. For the time being, it is the principal investment project for OMK in 2010. After its commissioning in 2011, we will get another perceivable competitive advantage, i.e. manageable and effective vertically integrated production chain.

Another important objective will be to develop small- and medium-diameter pipes at the Vyksa Works. By 2015, significant investments of about RUB 9 billion will be aimed at developing wheel-rolling facilities.

In 2010, the Vyksa Works and the Almetyevsk Pipe Plant plan to produce more than 2 million tonnes of pipes, an increase of about 30% versus 2009. The output of railroad wheels will grow by 30—35% to more than 550 thousand pieces.

Domestic oil and gas sector remains the principal consumer of steel pipes. It includes Transneft, other oil companies and Gazprom, which even in challenging times continue to implement the projects of strategic importance to the country documented in interstate agreements for the transportation and processing of hydrocarbons. Such governmental approach boosts market demand for the products intended for use in to the oil and gas sector such as casing pipes and large-diameter pipes.

I would like to put special emphasis on the fact that long-term contracts with our strategic partners such as Gazprom, Transneft, Russian Railways and other companies, their confidence in our products were the key factors to ensure sustainable development of our company in the challenging economic situation.

Another guarantor of stability is the state. The decision on mandatory participation of domestic pipe producers in the implementation of large-scale projects for the transportation of hydrocarbons from Russian fields indicates that country’s top leadership takes real care in developing national economy, the production sector and increasing welfare.

On behalf of our Company, I would like to express enormous gratitude to our partners as well as federal and regional authorities. I am positive that by joint efforts we will be able to not only overcome the consequences of crisis, but also strengthen the positions of our nation in international markets.

V. S. Markin,
OMK President
January

Trubodetal completes the commissioning of P7837 press, whose launch allowed mastering the production of new types of product sizes. The press was included in the T-shaped pipe production chain for the Bovanenkovo — Ukhta Pipeline rated for pressures of up to 12 MPa.

February

Electric-Weld Pipe Workshop 5 of the facility producing small- and medium-diameter pipes (TESKMSD) of the Vyksa Steel Works completes the installation of the first of the two production facilities by EMAG GmbH, a German firm, intended for making collars for the casing pipes manufactured by the enterprise.

Vyksa hosts the 6th annual awards ceremony for the best employees held by the Foundation named after Ivan and Andrei Batashev Brothers.

March

Vyksa Steel Works ships more than 100 thousand tonnes of large-diameter pipes (LDP) for the transnational project for construction of the Central Asia — China (CAC) gas-main pipeline.

Chusovoy Metallurgical Works hosts the 4th Award Giving Ceremony held by the Foundation named after Prince S. M. Golitzine, who founded the works, to its best employees.

Vyksa Steel Works completes the upgrading of two thermal lines of the wheel-rolling facilities (WRF) to further improve the competitiveness and quality of the railroad wheels being produced.

April


Vyksa Steel Works wins the regional phase of the Customs Olympus contest as the Leading Foreign Trader in the Volga Federal District in 2009 for its performance in 2008.

Vyksa Steel Works wins the All-Russian Contest Russia’s Top Enterprises. Dynamics, Efficiency, Responsibility for the Development and Implementation of New High-Performance Types of Products.

The auditors of Moody International prove the compliance of the Quality Management System of Vyksa Steel Works in the production of pipes and railroad wheels with the requirements of the ISO 9001 International Standard and recommend that the company’s management issue certificate of compliance to VSW valid until 2012.

On April 23, 2009, OMK-Uchastiye Charity Foundation and Stand 4, a company of Ekaterina Liepa, co-organize the charitable campaign ‘Present Children with a Fairytale’ at the State Academic Central Puppet Theater named after S. V. Obraztsov. More than 200 children from the orphanages of the Nizhni Novgorod, Tver, Vladimir and other regions, the patients of the Pediatric Oncology and Haematology Research Institute, businessmen, cultural leaders and their family members see the performance of Gulliver’s Travels based on the novel by Jonathan Swift (directed by Ekaterina Obraztsova).
Electric-Weld Pipe Workshop 2 of the Vyksa Steel Works masters the production of shaped pipes with new sizes (30 x 20 mm).

The procurement automation project includes the launch of on-line trading floor at www.omk.zakupim.ru, which opens new opportunities for the potential and existing suppliers of the OMK Group.

Vyksa Steel Works and Chusovoy Metallurgical Works obtain the certificate of compliance of their environment, health and safety management systems with the ISO 14001:2004 and OHSAS 18001:2007 International Standards.

Electric-Weld Pipe Workshop 1 on Mill 10-65 of OFFICINE MTM S.p.A. of the Almetyevsk Pipe Plant masters the production of a new type of shaped pipe sizes (15 x 15 pipes with a wall thickness of 15 mm).

Chusovoy Metallurgical Works undergoes integrated audit by VOLVO and is the first Russian company to get the highest score.

The Russian Union of Historic Towns and Regions (RUHTR) awards gold medal to the Vyksa Steel Works for Contribution to the Heritage of Russian Peoples.

The pupils and students of Vyksa regular schools, colleges and institutes take a trip along the Moscow — Brest — Auschwitz — Berlin — Moscow route. The event is supported by United Metallurgical Company and organized by the Vyksa Office of United Russia Party in collaboration with the administrations of the Vyksa District and the town of Vyksa.

The initiative for the management of educational resources and the system of training in professional disciplines includes opening the OMK-Campus project (OMK-MISIS (Moscow Institute of Steel and Alloys) Master's Degree course) and participation in the Obrazovanie national project (installation of laboratory and training equipment for the Vyksa Metallurgical Technical School).

Chusovoy hosts OMK-Sprint ski race dedicated to the 130th anniversary of the Chusovoy Metallurgical Works. The celebration is organized by the administration of Chusovoy urban settlement, United Metallurgical Company (OMK), Chusovoy Metallurgical Works, the territorial sports and physical culture agency and the territorial ski race federation.

Vyksa Steel Works first produces large-diameter pipes with a wall thickness of 41 mm for the Nord Stream project.

Since the beginning of supplies, Vyksa Steel Works plant has shipped 200 thousand tonnes of large-diameter pipes for the transnational project for construction of the Central Asia — China (CAC) gas-main pipeline (October 2008).

May

June
The construction of Mill 5000 includes the assembly of two warehouses for part blank (slabs) and end products (sheets) and the mechanical workshop frames. More than 90% of total facility design operations and more than 15% of total construction operations have been performed.

The Board of Directors of OMK adopts a resolution on the implementation of a project for building corporate information management system on the base of SAP R3 solutions.

United Metallurgical Company commissions Phase 1 of the corporate system for reference data (RD) management on the SAP NetWeaver platform.

Vyksa hosts the 6th All-Russian Sambo Wrestling Tournament in the memory of the Batashev Brothers, the founders of Vyksa Steel Works. The tournament is organized by OMK, All-Russia Sambo Federation and the Vyksa District Administration.

July

Trubodetal undergoes integrated audit of the Quality Management System (QMS) and the Environmental Management System (EMS). Based on the inspection results, the audit commission adopts a decision to recommend that TUV NORD, a certification authority, issue to Trubodetal a certificate of compliance of its Environmental Management System with the requirements of the ISO 14001 international standard.

United Metallurgical Company (OMK) is Russia’s first piping enterprises to be registered by Shell as the producer and supplier of large-diameter pipes for the transportation of acid environments and obtained the relevant certificates.

Chusovoy Metallurgical Works opens a photo exhibition on Metallurgists and Metall: the Beauty of Presents. The author of works is Maxim Marmur, a professional photographer.

Since the beginning of supplies in May 2008, Vyksa Steel Works has shipped more than 200 thousand tonnes of large-diameter pipes for the construction of Phase 1 of the undersea Nord Stream gas pipeline.

August

OMK-Uchastiye Charity Foundation supported by the Vyksa Steel Works organizes three-day vacation at the health center on the Black Sea Coast in Anapa for 45 children from the Vyksa District Orphanage, Social Rehabilitation Center for Minors and residential school.

The Nizhni Novgorod Government and the Nizhni Novgorod Regional Office of the Federal Tax Service of Russia express their gratitude to the Vyksa Steel Works as one of the best taxpayers for its contribution to the region’s economy in 2008.

September

Vyksa Steel Works finalizes the implementation of its electronic workflow system, which considerably simplifies the procedure for executing and approving transportation documents for cargos carried by the Gorkovskaya Railway.
OMK takes part in the 11th International Railway Salon EXPO 1520.

Since the beginning of 2009, Vyksa Steel Works has shipped 1 million tonnes of pipes.

OMK-Steel and Gazprom Neft execute an agreement for strategic partnership for 2009—2011. The document is intended to contribute to accomplishing the integrated objectives of upgrading and developing the technological base of Gazprom Neft in the area of hydrocarbon production, transportation and processing.

Rosneft expresses gratitude to OMK for its participation in the project for construction of oil-trunk pipeline from the Vankorskoye field (Krasnoyarsk Territory).

OMK hosts OMK’s international conference for metal traders Development of Regional Metal Trade. More than 70 managers and employees of metallurgical companies involved in selling OMK’s metal products take part in the event.

OMK acts as the sponsor of the 2nd All-Russian Public Youth Marshal Arts Games organized and held by the Russian Union of Marshal Arts (RUMA) in Anapa.

The managers of OMK are included in the 10th Annual Ranking of the Top 1000 National Managers organized by the Russian Managers Association and Kommersant Publishing House. Anatoly Sedykh, Chairman of the Board of Directors, is included in the ranking of senior company managers; Svetlana Nikolashina, Personnel Director, in the ranking of personnel management directors; Alexander Kastravets, Public Relations Director of OMK, in the ranking of directors for corporate and public relations.

For the first time, VSW ships more than 100 thousand tonnes of large-diameter pipes in one month.


Vyksa Steel Works obtains a certificate of compliance of its quality management system with the requirements of the STO Gazprom 9001-2006 standard.

Under the Mill 5000 project, a pool of Western banks adopts a decision on the extension of EUR 347 million loan to the Vyksa Steel Works.

OMK implements a specialized IS for managing supply chains based on the i2 SCP solution, which allows preparing balanced plans of the sale, production, procurement and transportation of coils, sheets and pipe products within the 18-month horizon optimized using the established criteria.

OMK implements the final part of the traditional annual corporate project 100 Best Managers of OMK.
Vyksa Steel Works wins the All-Russia Customs Olympus contest as the Leading Foreign Trader in the Volga Federal District for its foreign trade performance in 2008.

OMK-Uchastiye Charity Foundation purchases and delivers pulmotors for newborn babies to the Chusovoy District Hospital named after V. G. Lyubimov. The foundation delivers to the Pediatric Oncology and Haematology Research Institute, incorporated in N. N. Blokhin Russian Cancer Research Center (Government Institution), medical equipment and consumables necessary for medical care for seriously ill children valued at more than RUB 3 million.

**November**

Local treatment facilities are commissioned on the line for painting springs at CMW.

Trubodetal commissions Phase 1 of thermal press section producing built-up steel T-shaped pipes.

OMK begins construction of Phase 1 of the Ust-Luga Port terminal.

Tatneft expresses gratitude to OMK for participation in the project for construction of the Kaleikino Booster Station — Nizhnekamsky Refinery oil pipeline.

Vyksa Steel Works and Trubodetal are awarded gold and silver medals at the Metal Expo 2009 exhibition.

In Chusovoy, theater art center is established using the funds of the S. M. Golitzine Foundation.

Vyksa Steel Works ranks seventh in the list of 400 largest companies of the Volga Region prepared the Expert Volga Magazine.

The winners in the corporate photo contest of OMK are determined.

**December**

CRC is announced as awardee in the National Environmental Prize 2009 contest in the category of Innovative Eco-efficient Technologies in the Production Sector.

OMK, the Maris Liepa Charity Foundation and the Central Museum of the Great Patriotic War hold Annual Victory Ball on the Poklonnaya Hill.

OMK transfers funds in support of the injured and the relatives of those who died in the Khromaya Loshad (‘Lame Horse’) cafe fire in Perm.

OMK-Uchastiye Charity Foundation purchases an infant incubator for the Vyksa Central Hospital and organizes the charitable action "Share Your Smile" at the Moscow Circus on Tsvetnoy Boulevard.
GROUP STRATEGY

We strive to become the most efficient company in the Russian iron and steel industry manufacturing products for the pipe and metallurgical market. Our aim is to achieve a successfully balanced diversification and deep integration of our production and, thus, protect the Company from any declines in specific markets and process stages.

We contribute to the creation of environmentally safe global energy and transport communications and help our clients to provide high-quality and minimum-cost passenger and cargo transportation services without any distance limitations.

Vision

OMK Management Company

Vyksa Cluster

- Vyksa Steel Works (VSW) — Mill 5000
- Subsidiary of OMK-Steel, Vyksa [CRC]

Trubodetal

Almetyevsk Pipe Plant (APP)

Schelkovo Metallurgical Works (Shchelmet)

Chusovoy Metallurgical Works (CMW)

Gubakha Coke

Mission

We contribute to the creation of environmentally safe global energy and transport communications and help our clients to provide high-quality and minimum-cost passenger and cargo transportation services without any distance limitations.

Corporate Values

- Ensuring maximum return on equity capital;
- Respect for and trust in employees and partners;
- Support for innovations and continuous improvement of product quality;
- Observing a balance of interests of shareholders, top managers, and employees.

Corporate Business Conduct Principles

- Striving for leading positions in key markets;
- Concentrating production and investments on a limited number of the most promising production sites;
- Balanced diversification of production;
- Vertical integration of OMK's entities and new production units, increasing the share of controlled costs;
- Introducing new technologies and equipment;
- Continuous search for and implementation of more and more advanced process solutions;
- Developing the potential of the company's employees;
- Enhancing business transparency;
- Through successful development of our business, we contribute to the development of the areas included in our business coverage;
- We are client-oriented and active in creating the demand for our products;
- We build our relations with clients and partners on a long-term basis;
- We make efforts to constantly enhance our operational efficiency;
- We standardize our facilities and products.
Achievements

Despite crisis phenomena in the economy, in 2009, the company produced 1.65 million tonnes of various size pipes, which is 7.4% more than in 2008. The strengthening of the company’s positions in the key markets is facilitated by the implementation of our crucial investment projects, reasonable sales policy and the implementation of effective governance methods. In 2009, investments in the development and renovation of its facilities totaled RUB 13.1 billion.

Last year, the company focused mainly on mastering Phase 1 of the Casting and Rolling Complex (CRC) with a design capacity of more than 1.2 million tonnes, launched in 2008. For the first time in global practices, rolled strips, including those designed for ultra-strength and corrosion-resistant pipes used in harsh climatic conditions and corrosive environment, will be made out of thin slabs. In the first year of CRC operation, the sales of finished goods were 673.15 thousand tonnes of rolled strips, 84.4% of which were shipped to the Company’s entities.

In 2009, VSW considerably increased the output of large-diameter pipes (LDP). This is facilitated by the contracts for supply of pipes for the following key strategic projects implemented both in the Russian Federation and abroad: Nord Stream, Central Asia — China, and Bovanenkovo — Ukhta, BPS 2. To participate in the Nord Stream project, OMK obtained the certificate confirming compliance of its production technology to DNV-OS-F101 for subsea pipeline systems and became Russia’s and the CIS’s first qualified producer of pipes according to that standard. To meet customer requirements, VSW increased its capacity for application of corrosion-resistant coating. In 2009, OMK was the only Russian company to win the tender for the supply of LDP for Phase 2 of the Nord Stream project; supplies are scheduled to begin in May 2010.

In the oil and gas pipe (OGP) segment, VSW mastered the production of ultra-strength pipes and pipes with higher cold-resistance properties and improved the quality of its products. The manufacture of these products became possible after the project for creation of facilities designed for three-dimensional heat treatment was up and running at full capacity.

In the casing pipe segment, the Company completes the project for expanding its cutting facilities, which, together with purchasing coupling-cutting facilities and putting in place the production of seamless coupling blanks at VSW, will make it possible to handle the entire volume of production of casing pipes and master highly sealing Premium threads.

In the shaped pipe segment, in spite of the financial crisis and a drop in demand on the part of the construction sector, the Company increased shipments to its customers by 11.7% as compared with 2008.

In 2009, OMK continued to supply wheels with enhanced hardness to Russian Railways under a long-term contract. Even though the Company achieved high quality in its wheel production, we plan to master new types of heavy-duty wheels. OMK obtained a certificate for the production of a new model of wheels with curvilinear disks withstandling loads of up to 30 tonnes per axle. These wheels will enable our customers to receive products with enhanced service properties and increase transportation loads and freight capacity of railroad cars. OMK also obtained a certificate for the production of a new model of high-quality solid-rolled wheels for passenger cars.
Another important event for the company was the beginning of implementation of a project for creating the information system of VSW and its subsidiaries based on the SAP ERP solutions. The implementation of this project will ensure higher business administration efficiency, cost reduction and better operational efficiency, specifically by means of optimization, using IT solutions, of the principal business processes through the development, implementation, replication and operation of My SAP ERP system.

OMK’s strategy is aimed at strengthening its competitive advantages and raising return on assets.

At the same time, OMK focuses its development efforts on several strategic areas. Below is a chart of these areas and the company’s mid-term image.

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OMK’s Mid-Term Image
- Completes vertical integration in SMDP (small- and medium-diameter pipes) segment.
- Mill-5000 meets the group’s internal needs for sheets.
- The share of controllable costs will reach 60—70% in LDP segment and 80% in SMDP segment.
- Finalizes the rehabilitation of the principal pipe facilities.
- Considerably expands its product line.
- Establishes long-term strategic relations with its key customers.
- Regular development of new types of products and creation of new technologies.
- Operational efficiency meets the global best practices.
- Considerably increases its sales in export markets.
- Builds efficient transportation system ensuring that the minimum level of cargo carriage costs is achieved.
- Completely builds corporate information system.
- Health and safety management system conforms to the international level.
The launch of the Casting and Rolling Complex finalized vertical integration in the small- and medium-diameter pipe segment. Our paramount goal for CRC is to achieve the planned characteristics for productivity, product mix and quality, which will enable us to fully abstain from purchasing coils and sheets covered by the CRC mix, as well as control expenses in all of the stages of the small- and medium-diameter pipe production process. In 2010, to achieve vertical integration in our LDP production, the Company will continue with the implementation of its Plate Mill-5000 project at VSW. To date, we have entered into the relevant contracts and are in the process of equipment delivery and construction. The implementation of this project will enable OMK to manufacture products whose quality, due to the use of state-of-the-art technologies, will not be inferior to any of the imported plates that we have to purchase now. When we put Plate Mill-5000 into operation, the needs of our pipe facilities will be fully covered by plates of our own manufacture, which will help us to maximize capacity utilization and through profits.

The launch of Mill 5000 in 2011 will complete the creation by the Company of its vertically integrated pipe production chain.

Another important strategic event of 2010 related to the development of pipe facilities will be the modernization of equipment of VSW’s Electric-Weld Pipe Workshop 3, which will extend the Workshop’s product line and make it possible to manufacture special niche products.

Another remarkable event for the company in 2010 will be the completion of a project for creating the production of high- and low-pressure built-up steel T-shaped pipes, whose implementation is currently being finalized by Trubodetal. The new-generation technology based on the state-of-the-art equipment will allow considerably extending the enterprise’s product line.

In the future, the Company will maintain its leading positions in the key markets by an active pursuit of its innovation-oriented policy. This primarily concerns the capacity of the Casting and Rolling Complex in terms of introducing new technological standards and unique steel grades to the market and mastering the manufacture of products with unique properties. To achieve these goals, the Company is implementing its programs for launching new products and the R&D Program.

One of the Company’s high-priority and strategically important businesses is the production of large-diameter pipes (LDP). OMK is the leader in the Russian LDP market and, according to the 2009 results, accounts for about 35% of domestic demand and more than 50% of Russia’s LDP output.

OMK is also a unique LDP supplier for the main strategic oil- and gas-pipeline projects in Russia and (Nord Stream, Central Asia — China, Bovanenkovo-Ukhta, BPS 2). Moreover, in 2009 OMK was the only Russian company to win the tender for the supply of LDP for Phase 2 of the Nord Stream project; supplies are scheduled to begin in May 2010.

In this market, the Company’s strengths include its two modern lines for the production of welded large-diameter pipes and a line for applying pipe coating, enabling OMK to produce a wide range of pipes of 508-1420 mm in diameter with wall thicknesses of up to 48 mm and...
to maximize its profits generated by pipe production due to a flexible distribution of orders by mill. The implementation of the second JCO press on the 1420 Line made it possible to increase the manufacture of 1420 Line pipes up to 850-950 thousand tonnes. The OMK strategy in the LDP market is about retaining its leading positions in the Russian market, differentiating markets and products, and namely — participation in projects for supplying new types of pipes (for example, according to the DNV standard for subsea pipelines), mastering the production of “inch series” pipes, and developing sales in non-CIS and CIS markets in the event of changes in the domestic market.

In the medium term, the Company’s primary goals in LDP segment will be to participate in strategic projects in Russia and the CIS and complete the vertical integration process, which will enable us to increase the share of controlled expenses and enhance our cost competitiveness. At the same time, the company is willing to compete in the international market and plans to increase its mid-term LDP shipments to the non-CIS markets.

The OMK strategy in the MDP market, given the increasingly bitter competition, is about clear-cut market segmentation, setting high priorities, focusing on pipe segments with enhanced characteristics, and preparedness for price competition under intensive competitive pressures. One of the Company’s key opportunities in MDP markets, after the launch of the CRC project in 2008, is achieving synergy of its pipe and steel-coil businesses and gaining through profits in the entire coil and pipe production process.

In the oil and gas pipe segment, OMK’s strategy is based on leadership in costs and the use of synergy with CRC to secure through profits on metal.

The Company’s strengths in this market are as follows:
■ cost efficiency and through control over pipe and coil operations, and all downstream operations including primary raw materials;
■ favorable geographic location of the facilities with regard to the consumption regions and export markets.

Therefore, the Company’s strategy in this segment will involve the following initiatives:
■ implementation of the programs for cost reduction;
■ expansion of cost-effective export sales;
■ mastering the production of pipes with high added value and increasing our share in their sales — ultra-strength pipes and pipes with highly sealing Premium threads.

In 2009, the wheel-rolling facilities of VSW produced 433 thousand wheels versus 788 thousand wheels manufactured in 2008 (a decrease by 47%), whereas the Russian market capacity went down by 44%; CIS, 54%.

OMK is the leader of the Russian railroad wheel market. Its market share in 2009 accounted for 61%. In this connection, OMK’s deliveries to the Russian market are ensured with its long-term agreement with Russian Railways. In this market, the Company has a stable competitive
advantage due to its ability to manufacture wheels with unique consumer properties, i.e. hard wheels and wheels withstanding loads of 25 and 30 tonnes per axle.

The company’s strategic focus in this segment is as follows:
- To maintain leading positions in the Russian market, specifically by developing and offering unique products;
- To retain competitive technological advantages in terms of manufacturing products with unique properties;
- To develop the production of wheels from sections;
- To master new types of products with the idea of increasing sales in export markets;
- To promote hard wheels in the CIS market, while focusing on the development of new types of products with enhanced consumer characteristics;
- Obtain certificates for compliance with international standards.

OMK has an opportunity to organize integrated deliveries of large-diameter pipes and pipeline fittings for strategic projects in the Russian Federation, which will enhance the level of services for key clients and strengthen the Company’s positions in LDP and PF markets. The combination of experience in pipeline construction and the possibility of prompt LDP supplies enable the Company to work out efficient strategies and make correct assessments of changes in demand in the relevant segments of the PF market.

One of the key areas of the PF business development in 2009—2010 is to create facilities for the production of T-shaped pipes designed for high pressures. This project will enable Trubodetal to become Russia’s unique supplier of large-diameter T-shaped pipes designed for high pressures and is in line with the long-term market demand.

The main areas for the enterprise development and enhancement of its operational efficiency are as follows:
- To meet customer needs to the greatest extent possible (sizes, packaging, properties);
- To master the production of new types of products (focusing on finished goods);
- To enter new segments using the existing facilities and technologies to the greatest extent possible;
- To control manufacturing and non-manufacturing costs;
- To ensure capability to satisfy the entire range of demands for high-quality pf within the shortest timeframe.

Chusovoy Metallurgical Works (CMW) is the absolute leader in the Russian automotive spring market, with a market share of about 70%. The Company’s strategy is to retain its leading position in the market. While keeping its costs under strict control, the Company is implementing several investment projects for manufacturing new types of products and enhancing their quality. In 2009, the springs painting project was completed. The company is currently implementing projects aimed at expanding the production of small-sheet springs and increasing the capacity of thermal lines.
One of the main areas of diversification of the Company’s spring business is to achieve full-capacity in the production of small-sheet springs, including ones designed for foreign automobiles, and arrange serial supplies of CMW-made springs to assembly facilities of foreign companies in the Russian Federation and non-CIS countries. To this end, it is planned to develop and implement a program for obtaining certificates for such products according to ISO-TS.

OMK’s rolled section steel business involves several product subgroups: angle section steel (ASS), channel bars, steel beams, reinforcing steel, and special shaped steel. In terms of sales, those product lines are quite stable, but with a relatively low profitability of sales and a high level of competition. In this connection, the Russian market shows some factors that produce a positive effect on its development:

■ With Russia hosting the 2014 Olympics, an expected increase in the rate of construction in the south region;
■ Implementation of programs for developing Russia’s south and far east federal districts;
■ Construction of power industry facilities;
■ The Russian Government’s initiatives to support the construction industry.

In this product segment, the main competitive advantage is price. Therefore, the Company seeks to reduce costs and also considers such option as a full modernization of production.

While forming its strategy, OMK pays special attention to issues related to management of critical resources that greatly affect successful activity and operational efficiency of the Group. Special attention is paid to functional areas. To enhance operational efficiency of the entire company, the strategies of individual functional areas are being developed and implemented.

With regard to the functional strategy for personnel management in 2009-2012, OMK considered and updated its personnel policies, put forward new personnel management initiatives, both general and particular, plant-specific. The strategy provides for the further enhancement of personnel performance through the delivery of the following objectives:

■ Increasing manageability using organizational planning tools;
■ Raising labor productivity;
■ Increasing the transparency of labor compensation system and its connection with performance;
■ Implementing the system of personnel reserves, adaptation, reorganization of on-the-job training, etc.

Under its strategy, OMK paid great attention to the development of awareness of cost saving and business process optimization, the efficient use of the existing personnel, the integration of labor compensation with other corporate processes, the reduction of key personnel turnover and the strengthening of personnel interest in final performance.
Areas such as personnel training and development saw the updating of personnel reserve, the implementation of training program (on-the-job and theoretical training of managerial personnel reserve), the implementation of personnel adaptation system.

The initiative for the management of educational resources and the system of training in professional disciplines included opening the OMK-Campus project (OMK-MISIS (Moscow Institute of Steel and Alloys) Master’s Degree course) and participation in the Obrazovanie national project (installation of laboratory and training equipment for the Vyksa Metallurgical Technical School).

**IT**

The Company’s IT strategy is aimed at improving business management efficiency through the expeditious and reliable presentation of information on business transactions and business situation. It is also aimed at reducing costs and enhancing operational efficiency by optimizing the main business processes based on IT solutions. To this end, OMK will implement IT systems for planning, accounting, monitoring, and management (ERP, MDM, BI, MES, TMS, SRM, etc.) at all its companies. By now, the Company has completed the implementation of SAP-ERP at CRC and implemented the system of detailed planning. CRC practiced using backup systems such as RD management system (SAP MDM) and reporting system (SAP BW). We are now preparing an integrated program at VSW based on the SAP-ERP solutions, after which it will be replicated at other entities of the Group. We are developing the system of centralized order-by-order planning intended to coordinate the actions of the sales, procurement, production and logistics functions.

**Energy Supply**

The principal goal of the company in the area of energy supply is to create competitive advantages through sustainable power supply to the OMK entities with due account for their prospective needs and to systematically raise energy efficiency to global levels.

Crucial decisions in the area of power supply fully meet the current and prospective energy resource requirements of the OMK entities, which allows implementing large-scale projects such as the construction of Mill 5000 at VSW.

At the same time, the company’s entities developed and implement integrated energy saving programs to raise the energy efficiency of production.

**Transport**

The reduction of shipping operations witnessed in 2009 has stopped and Russia’s total cargo shipping operations are currently growing. In the medium term, it is expected that OMK’s shipments will change in structure, direction, and volume due to the following factors:

- Casting and rolling complex will be up and running (1.2 Million tonnes per year);
- Commissioning of new facilities (mill 5000);
- Expansion of sales geography and entering into new markets.

The Company’s transportation costs for raw materials and products will also increase, as about 95% of OMK’s cargoes are transported by rail, where tariffs are state-controlled and do not depend on changes in supply and demand for rail services. Cargo handling at ports is also state-controlled.
The increasing competition in the metallurgical markets and the decreasing ex-works product prices, against the background of product shipment costs becoming higher and higher, cause an increase in the share of transportation costs in product prices. The entry into new markets and our customers’ higher requirements for shipment quality give rise to more transportation-related challenges. All this makes transportation logistic operations more important, turning them into a key factor for enhancing competitiveness of OMK as a whole.

In this connection, the top priorities for transportation in the medium term are as follows:

■ To create an integrated management system (ms) for transportation of omk’s cargoes costs;
■ To assess the adequacy of throughput of the vyksa transportation junction and to prepare a program for its development, including production development on the vyksa site;
■ To implement a specialized transport module within the corporate information system (to create an integrated information space for transport operations, including transportation costs).
### Key Financial and Performance Indicators for 2009

**Form 2**

<table>
<thead>
<tr>
<th></th>
<th>2008*</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>104,914</td>
<td>96,894</td>
</tr>
<tr>
<td>EBITDA</td>
<td>24,074</td>
<td>21,199</td>
</tr>
<tr>
<td>Net profit</td>
<td>8,893</td>
<td>6,981</td>
</tr>
</tbody>
</table>

**Form 1**

<table>
<thead>
<tr>
<th></th>
<th>31/12/2008*</th>
<th>31/12/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncurrent assets</td>
<td>79,341</td>
<td>84,045</td>
</tr>
<tr>
<td></td>
<td>36,173</td>
<td>19,666</td>
</tr>
<tr>
<td>Inventory</td>
<td>36,173</td>
<td>19,666</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>10,687</td>
<td>36,150</td>
</tr>
<tr>
<td>Other current assets</td>
<td>27,019</td>
<td>28,740</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>153,221</td>
<td>168,602</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>51,176</td>
<td>58,759</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>49,050</td>
<td>45,656</td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>26,670</td>
<td>16,976</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>24,092</td>
<td>42,696</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,233</td>
<td>4,514</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>153,221</td>
<td>168,602</td>
</tr>
</tbody>
</table>

|                  | 33% | 35% |
| Capital/Assets    |     |     |
| Debt/EBITDA       | 3.1 | 3.0 |
| ROA               | 5.80% | 4.10% |
| ROE               | 17.40% | 11.90% |
| Net profit margin | 8.50% | 7.20% |
| EBITDA margin     | 15.10% | 17.80% |

*Data adjusted for changes in the accounting policy.
In 2009, the companies of the OMK Pipe-Rolling Business manufactured 1.65 million tonnes (against 1.53 million tonnes in 2008) of pipes of various types. OMK’s share in the Russian pipe market accounted for 18.4% (versus 16% in 2008).

Vyksa Steel Works (VSW) produces steel pipes with sizes ranging from 15 to 1,420 mm and wall thicknesses of up to 48 mm. VSW-made pipes have two- or three-layer corrosion-resistant polyethylene coatings.

Electric-welded pipes with sizes ranging from 508 to 1,420 mm are designed for the construction of main gas, oil, and oil product pipelines rated for working pressures of up to 12.5 MPa, including subsea pipelines. High mechanical properties of pipe base material and weld seams allow these pipes to be used for pipeline construction in varied climatic regions, including far north areas. Single-seam longitudinal welded pipes with sizes ranging from 508 to 1,420 mm and wall thicknesses ranging from 7 to 48 mm are made of K38-K60 grade steels, including north version products. Pipes can also be made for working pressures reaching 250 atm.

In 2009, VSW produced 968 thousand tonnes of large-diameter pipes, a 29% increase compared with 2008. More than 80% of LDP were supplied for the construction of new oil-trunk and gas-main pipelines: Bovanenkovo — Ukhta, Sakhalin — Khabarovsk — Vladivostok, Dzhubga — Lazarevskoye — Sochi, Pichinki — Gryazovets, North European Gas Pipeline (Gazprom), BPS 2 (Transneft), Vankor (Rosneft), Central Asia — China (CIS countries).

OMK is the only Russian company supplying LDP for construction of the undersea Nord Stream gas pipeline. In 2009, about 200 thousand tonnes of LDP were supplied for the project. To build the second gas pipeline thread, OMK will deliver about 205 thousand tonnes during 2010—2011.

Pipes for oil and gas pipelines and general purpose pipes are designed for the construction of oil and gas pipelines oil product pipelines, process and field pipelines (including pipelines in Siberian and far north areas), water pipelines, heating systems, various structures, as well as for gas and oil field construction. Our electric welding mill is designed for high quality welding of pipes of enhanced grades up to X80 (K65) with wall thicknesses of up to 12.7 mm.

The manufacturing process includes multiple-stage nondestructive examination of all pipes, including eddy-current, automatic and manual ultrasonic, mechanical, and 100% hydraulic testing.

Mechanical properties of pipe base material and weld seams are determined during elongation, impact, flattening, and bending tests.

Casing pipes with sizes ranging from 114 to 245 mm are designed for gas and oil field construction, as well as for the construction of wells, separation of oil-bearing and gas-bearing formations, prevention of water encroachment of production horizons, and casing of well walls and heads. To insure compliance with the world standards, the workshop was provided with advanced equipment made by the world’s leading manufacturers: Nippon Steel Corporation forming mill, pipe-welding machine, and sizing mills; Toshiba equipment for local heat treatment; DBM rotary...
piercer; Mitsubishi ultrasonic flaw detector. As a result, VSW welded casing pipes have the following unquestionable advantages:

- Precision of geometrical dimensions as compared with seamless pipes (fewer variations in wall thickness, less out-of-roundness, etc.);
- Pipe lengths; possibility of manufacturing 11.8 m pipes of any diameter within the product range;
- Possibility of producing thin-walled pipes, which allows less metal consumption during well construction;

In 2009, in its Workshop, VSW started to produce coupling blanks, which together with metal production at CRC allows controlling the process during all production phases.

The coupling-cutting facilities of EMAG GmbH, Germany, allow OMK to produce casing pipes with highly sealing Premium threads.

Pipes for water and gas supply lines and general-purpose pipes with sizes ranging from 15 to 108 mm are designed for the construction of gas and water supply lines, heating systems, and various structures. The pipe production process includes nondestructive examination to SEP 1925 standards and mechanical and hydraulic testing.

Almetyevsk Pipe Plant (APP) produces pipes with sizes ranging from 10 to 219 mm and, upon request, with double corrosion-resistant coatings. In 2009, APP continued mastering the production of new standard sizes of shaped pipes used in the construction sector and housing and utility services. The Company’s share in the Russian market increased from 6.6% to 8.3%.

OMK’s major customers include leading Russian and foreign companies: Gazprom, LUKOIL, Transneft, Surgutneftegaz, TNK-BP, Sibneft, Rosneft, Bashneft, Tatneft, ExxonMobil, Royal Dutch/Shell, Exploreco Energy Inc (U.S.A.), etc. OMK pipes are supplied to the U.S.A., EU and CIS countries, the Middle East and African countries.

OMK is a frequent participant and winner in prestigious international biddings: Nord Stream (former North European gas pipeline), the Central Asia—China (SAC) pipeline. In 2009, OMK supplied LDP to DAMAGIX for Phase 1 of the OML pipeline, whose end customer was Nigerian National Petroleum Company (NNPC) & Total, a joint venture.
VSW produces more than 140 wheel types with diameters ranging from 710 to 1,098 mm, including railroad wheels for freight and passenger cars, the underground system and locomotive centers.

- Since 1973, VSW has manufactured about 17 million railroad wheels;
- VSW’s ensures 64% of the Russian total output of railroad wheels and 61% of Russian consumption of railroad wheels.

Railroad wheels comply with the requirements of domestic and international standards and project specific technical specification, including:
- European railroad standard EN 13262 or UIC 812-3;
- American Association of Railroads (AAR) standard;
- Indian and Korean railroad standards, etc.


OMK is the leading supplier of solid-rolled railroad wheels. The wheel-rolling shop of Vyksa Steel Works is largest wheel-rolling facility in Europe (850 thousand wheels per year). The shop includes steel smelting facility and the world’s largest wheel-rolling line. In 2007, the Company achieved record-breaking production levels (more than 820 thousand wheels a year), with 125 thousand wheels exported. Due to the economic crisis, the Company could not exceed the 2007 figure. In 2009, VSW shipped 433 thousand wheels, including 71 thousand wheels of export shipments. In addition to Russian Railways, traditional buyers of OMK wheels include the largest rail car building plants in Russia, the CIS, Eastern Europe, India, U.S.A., Canada and international corporations.

VSW pays special attention to the manufacture of wheels because of great responsibility for rolling stock safety. The wheel-rolling facilities of Vyksa Steel Works are equipped with up-to-date production machinery, including two shot-blasting machines for the hardening of wheel disks (Wheelabrators, manufactured in Canada), and apply multiple-stage technical control and various inspection tools, including eddy current, ultrasonic, and magnetic-particle testing and hardness control for wheel rims. Upon request, wheel machining lines before and after heat treatment may produce wheels with any required tread area profile, surface cleanliness, dimensional accuracy, and mechanical properties. The equipment of the wheel-rolling facilities is remarkable for its high level of automation and mechanization; VSW has developed and applies a technology for the production of a wide range of solid-rolled wheels with different disk configurations (conic and curvilinear), including wheels all of whose elements are machined.
VSW carries out purposeful work to improve the specifications and quality of railroad wheels. The new wheel products include as follows:

**Wheels with shot-blast hardened disks**
- Wheel disk fatigue strength increased by at least 30—40%
- Absence of fatigue cracks throughout the service life
- Wheel fatigue failure prevention, higher wheel safety and reliability for loads of up to 30 tonnes/axle

**Wheels with 320-360 HB rim hardness** *(Spec 0943-157-01124328-2003)*
- More than a four-fold reduction in contacting and fatigue damage of wheel rims
- Service life extended at least by 1.5 times
- Reduced costs relating to the machining, purchase, and maintenance repair of the rolling stock

**Wheels with curved disks (CDW)** *(Spec 0943-170-01124323-2004)*
- Axle loads increased from 23.5 to 25 and 30 tonnes
- Wheel service life and disk fatigue strength increased by at least 15 times compared with regular GOST structure wheels
- Wheel travel increased by more than 15% as compared with traditional wheels with 320—360 HB rim hardness
- At least a 1.8-fold reduction in radial stresses
- At least a 1.6-fold reduction in stress intensity
- Improved stress pattern evenness without substantial local stress concentrations
- Reduced wheel rim wear resulting from wheel rim being forced from the rail

**CDW for passenger service** *(Spec 0943-202-01124323-2005)*
- Safety plus 1.5-2-fold longer service life
- At least a 1.8-fold reduction in radial stresses
- At least a 1.6-fold reduction in stress intensity
- Lower wheel damageability in operation
- Reduced repair costs
- Possibility of supplying wheels with all surfaces mechanically treated
<table>
<thead>
<tr>
<th>Product Type</th>
<th>Produced (tonnes in thousands)</th>
<th>Dispatched (tonnes in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-diameter pipes</td>
<td>970</td>
<td>989</td>
</tr>
<tr>
<td>Casing pipes</td>
<td>201</td>
<td>204</td>
</tr>
<tr>
<td>Oil- and gas-supply pipes</td>
<td>193</td>
<td>189</td>
</tr>
<tr>
<td>Water- and gas-supply pipes</td>
<td>46</td>
<td>47</td>
</tr>
<tr>
<td>Shaped pipes</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Thin-walled pipes</td>
<td>60</td>
<td>61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1500</strong></td>
<td><strong>1521.9</strong></td>
</tr>
<tr>
<td>Railroad wheels</td>
<td>433.3</td>
<td>433.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Produced (tonnes in thousands)</th>
<th>Dispatched (tonnes in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil- and gas-supply pipes</td>
<td>58</td>
<td>61</td>
</tr>
<tr>
<td>Water- and gas-supply pipes</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Shaped pipes</td>
<td>51</td>
<td>55</td>
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<tr>
<td>Thin-walled pipes</td>
<td>26</td>
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<td><strong>Total</strong></td>
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<td><strong>155</strong></td>
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</table>

<table>
<thead>
<tr>
<th><strong>Total</strong></th>
<th><strong>Produced</strong> (tonnes in thousands)</th>
<th><strong>Dispatched</strong> (tonnes in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-diameter pipes</td>
<td>970</td>
<td>989</td>
</tr>
<tr>
<td>Casing pipes</td>
<td>201</td>
<td>204</td>
</tr>
<tr>
<td>Oil- and gas-supply pipes</td>
<td>251</td>
<td>250</td>
</tr>
<tr>
<td>Water- and gas-supply pipes</td>
<td>59</td>
<td>60</td>
</tr>
<tr>
<td>Shaped pipes</td>
<td>82</td>
<td>87</td>
</tr>
<tr>
<td>Thin-walled pipes</td>
<td>86</td>
<td>87</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1649</strong></td>
<td><strong>1677</strong></td>
</tr>
<tr>
<td>Railroad wheels</td>
<td>433.3</td>
<td>433.1</td>
</tr>
</tbody>
</table>

Chusovoy Metallurgical Works

Chusovoy Metallurgical Works has a complete metallurgical cycle with blastfurnace, steel-smelting, ferroalloy, rolling, and spring production processes and manufactures high-quality metal products.

Cast iron

Over the past several years, the blast-furnace smelting technology has been significantly improved. CMW has mastered several grades of cast iron having varied compositions for use in alloying of special purpose steels, as well as iron and steel castings. CMW developed the fundamentals of a technology for smelting vanadium-containing and complex-alloyed cast irons, taking account of specific features of titanium and vanadium oxide recovery.

- Vanadium cast iron, Spec. 14-2R-360-2002, Grade V, used for alloying of special grades of steels, as well as iron and steel castings;
- Vanadium cast iron, complex-alloyed, Spec. 14-2R-360-2002, Grade VHT, used for alloying of special purpose iron and steel castings;
- Refined cast iron (semiproduct — carbonized), Factory Standard 115-28-2003, used for alloying of special purpose iron and steel castings;
- Conversion vanadium pig iron, Spec. 14-2R-360-2002, used for alloying of special purpose iron and steel castings.

Ferrovanadium

An iron and vanadium alloy made in electric furnaces by the silicoalumo-thermal method of technical vanadium pentoxide recovery, designed for alloying of steel and cast iron. Chusovoy Metallurgical Works manufactures a wide range of ferrovanadium products with varied content of vanadium and admixtures, as well as nitrogen- and silicon-containing alloys.

- Ferrovanadium FeV40, FeV50, FeV80 — designed for vanadium-alloying of quickcutting, low-alloyed, and stainless steels;
- Nitrated ferrovanadium — designed for vanadium- and nitrogen-alloying of quickcutting, low-alloyed, stainless, and frost-resistant steels;
- Vanadium pentoxide — designed for production of titanium alloys, vanadium catalysts and other chemical agents.

Automotive springs

The production includes: manufacture of blank spring sheets, heat treatment, sheet surface hardening, and spring assembly. Chusovoy Metallurgical Works produces all types of automotive springs delivered to CIS manufacturers of trucks, passenger cars, buses, and trolleybuses. CMW has been repeatedly recognized as an “excellent supplier” by Russia’s leading automobile plants.

In 2009, Chusovoy Metallurgical Works launched two mills for rolling parabolic springs, installed and launched a new line for painting, purchased and installed a new line for thermal treatment and testing equipment for springs products.
All CSW-made steel is processed in two rolling-mill shops. The rolling-mill shops are equipped with an “800” blank preparation mill, a “550” medium-section mill, and “250” and “370” small-section mills. Chusovoy Metallurgical Works produces over a hundred fifty types of steel sections mostly used as structural steel and for automotive springs.

At present, CSW operates a quality management system certified to ISO 9001:2000.

Gubakha Coke has a complete coke-chemical cycle, specializes in the processing of coal, and comprises the Coal Preparation Shop, Coke Shop, Coal Tar Processing Shop, and the By-product Recovery Shop.

Gubakha Coke manufactures the following products:
- Furnace coke of the fractions +40 mm, 25—40 mm, and +25 mm; nut coke of the fraction 10—25 mm; and breeze coke of the fraction 0—10 mm;
- Chemical coking products derived from processed coal tar that is recovered from coke gas: pitch for electrodes, coke-chemical raw materials for technical carbon production, refined naphthalene, oils for different applications (including sleeper impregnation oil); the construction of benzol production facilities is under way.

At present, Gubakha Coke operates a quality management system certified to ISO 9001:2000.

Shchelkovo Metallurgical Works is Russia’s unique steel manufacturer using state-of-the-art engineering solutions developed by leading Russian and Western European designers. Shchelkovo Metallurgical Works manufactures steel pipes with polyurethane foam (PPU) heat insulation.

In 2009, the entity’s quality management system was inspected with regard to the production and supply of PPU-insulated pipes for compliance with the requirements of GOST R ISO 9001:2001 (ISO 9001-2000).

In 2009, having Наладив the production of PPU-insulated PE and steel-coated pipes, the works sold more than 12 linear meters of pipes.

The highly stable quality characteristics satisfying the world’s best production standards are insured by:
- Skilled personnel;
- Quality control starting from the metal procurement process;
- Cutting-edge technology;
- Reliable equipment;
- Solid relationships with partners.
With due account for current market needs, OMK considers producing PPU-insulated pipe fittings at the works in the future. As the first step in this direction, it was decided to select a strategy of cooperation with other manufacturers by siting production facilities at leased plant facilities.

In 2009, in cooperation with Magnitogorsk Iron and Steel Works, OMK produced, sold and tested with end customers the first batch of double-rolled tin plates with a thickness of 0.16 mm (26 tonnes). The quality of plates produced by Shchelmet ranks high. At present, OMK considers the prospects for further cooperation with MMK.

Major consumers of OMK’s metal products include KamAZ, GAZ, UAZ, UralAZ, MAZ, Russian Railways, Severstal, EvrazHolding, Metalloinvest, ChMK, TMK.

<table>
<thead>
<tr>
<th>Semiproducts</th>
<th>Produced (tonnes in thousands)</th>
<th>Dispatched (tonnes in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total output</td>
<td>196,0</td>
<td>60,8</td>
</tr>
<tr>
<td>Commercial cast iron</td>
<td>60,8</td>
<td>60,8</td>
</tr>
<tr>
<td>Reinforcing steel</td>
<td>56,4</td>
<td>61,1</td>
</tr>
<tr>
<td>Angle section steel, steel beams, channel bars and beams</td>
<td>45,0</td>
<td>45,2</td>
</tr>
<tr>
<td>Special shaped steel</td>
<td>11,0</td>
<td>11,5</td>
</tr>
<tr>
<td>Steel bands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total output</td>
<td>61,7</td>
<td>17,9</td>
</tr>
<tr>
<td>Production of commercial steel bands</td>
<td>17,9</td>
<td>17,1</td>
</tr>
<tr>
<td>Vanadium and ferrovanadium (total output)</td>
<td>0,2</td>
<td>0,15</td>
</tr>
<tr>
<td>Automotive springs</td>
<td>40,9</td>
<td>42,9</td>
</tr>
</tbody>
</table>
In 2009, 20 audits of VSW’s Quality Management System (QMS) were conducted and production analyses were made by international and Russian certification authorities.

As a result, new certificates were obtained and the current certificates were confirmed for the VSW QMS and products. In addition, decisions regarding further certification work were made.

- The recertification audit proved the compliance of VSW’s QMS with the requirements of the updated ISO 9001:2008 standard. Certification authority: MOODY International;
- Work related to preparing the entity for fulfilling the requirements of STO Gazprom was followed by the certification audit of compliance with the requirements of STO Gazprom 9001:2006, resulting in the obtainment of certificate. Certification authority: Russian Register Certification Association;
- The fulfilment of requirements of the updated GOST R ISO 9001-2008 was confirmed by the obtainment of compliance certificate. Certification authority: Russian Register Certification Association;
- The recertification audit resulted in extending the term of license АРI 5L-0276 and broadening the coverage of license API 5CT-0578 (P110 steel grades according to PSL-1, N80 steel grades according to PSL-2). Licensing company: American Petroleum Institute (API);
- The requirements of the Technical Specifications for Interoperability (TSI) for railroad wheel types BA004 (modules B and D) are met, which was confirmed by the obtainment of certificates for typical model and QMS. Certification authority: Vyzkumný Ustav Zeleznicí, a.s.;
- The requirements of AAR M-107/208 are met, which was confirmed by American Association of Railroads (TTCI);
- The requirements of AAR M-103 are met, which was confirmed by extending the term of the relevant certificate. Certification authority: International Quality Consultants Inc. (IQC);
- The requirements of Directive 97/23/EC, AD Merkblatt Wo, and DIN EN 10219-12006 are met, which was confirmed during the supervisory audit. Certification authority: TUV Nord Ukraine;
- American Association of Railroads (TTCI) granted permission to supply B-38 solid wheels in compliance with the requirements of AAR M-107/208;
- The requirements of the Technical Specifications for Interoperability (TSI) for railroad wheel types 409 and 428 are met, which was confirmed during the supervisory audit. Certification authority: Vyzkumný Ustav Zeleznicí, a.s.;
- The requirements of the Slovak, Czech, Serbian, Hungarian and Polish railroads are met, which was confirmed by the supply permissions;
- The safety requirements NB ZHT TM02-98 for solid wheels of Ø 957 mm and Ø 860 mm, manufactured according to GOST 10791-2004 and GOST 9036-88 are met, which was confirmed by the obtainment of conformity certificates. Certification authority: GU RS FZhT (Public Agency CERTIFICATION REGISTER FOR FEDERAL RAILROAD TRANSPORT OF THE RUSSIAN FEDERATION);
- The safety requirements NB ZHT TM02-98 for solid wheels of enhanced quality and hardness manufactured according to TU 0943-157-01124328-2003 are met, which was confirmed by the obtainment of conformity certificates. Certification authority: GU RS FZhT,
Compliance with the safety requirements NB ZHT TM02-98 for solid wheels manufactured according to TU 0943-2020p-01124323-2005 was confirmed by the obtainment of conformity certificates. Certification authority: GU RS FZHT;

Supervisory audits of compliance with the safety requirements NB ZHT TM02-98 for the wheel production according to TU 0943-170-01124323-2004, TU 0943-157-01124328-2003, GOST 10791 (920 and 860 mm in diameter), TU 0943-202-01124323-2005 were conducted. Certification authority: GU RS FZHT;

Russian Railways conducted two commission audits of the quality of products manufactured by VSW and outlined the ways of improving performance;

The audit of production status at Electric-Weld Pipe Workshop 3 as the supplier for Gazprom was positive;

TEPNG identified that VSW is capable of supplying line pipes for OML-58 OUR and the coating facility of VSW and the respective suppliers of materials are able to ensure that line pipes are coated in accordance with the existing TEPNL and TOTAL requirements;

The audits performed by Nord Stream AG and DNV for assessing VSW as the Nord Stream project supplier proved the ability of VSW to manufacture products in accordance with the project specifications.

Technological R&D efforts in various areas enabled VSW to improve the quality of surface of first-pallet ingots, enhance the purity of wheel steel, and reduce railroad wheel rejection due to nonmetallic impurities.

VSW transitioned to using a technology for casting ingots in shortened molds, elaborated drawings for ingots to be cut using ingot-cutting machines and sawing facilities. This made it possible to reduce metal consumption by 8 kg/t;

VSW modernized the reheating furnace for heat treatment and the system for cooling wheel rims on the hardening machines of the first line of the furnace area. New thermostrengthening modes were developed and implemented;

VSW developed design documentation and launched new types of wheels of 920 mm (BA005) and 955 mm in diameter produced according to European and Indian standards;

VSW developed a technology for manufacturing wheels with full-face machining prior to thermostrengthening;

VSW developed and approved TU 0943-259-01124323-2009 and mastered the technology for manufacturing solid wheel centers for traction rolling stock. A pilot batch of such centers was manufactured;

Vimatec-made units for nondestructive testing of internal (NK-364) and surface (SAMLK) defects of wheels and for computer-aided testing of geometrical parameters (SAZGP) passed tests and were entered into the Register of Measuring Equipment of the Russian Federation and the sectoral Register of Russian Railways. The units are in commercial operation;

NDT-made automated line for accepting exported wheels was commissioned;

In cooperation with the Central Research Institute of Iron and Steel Industry, VSW developed and tested various technological parameters for producing bainitic steel wheels. A batch of such wheels was manufactured and sent to Russian Railways for stand tests;
VSW transitioned to and prepared technical documentation for the production of pipes (including casing pipes) made of steel grades 20, 3 SP, 08 PS, 1SP, 09G2S, 22GYu and 17G1S-U manufactured by Subsidiary of OMK-Steel;

VSW mastered the production of pipes with the following sizes: 108х4.5 mm; 30х20х1.5 mm; 100х60х3.0 mm;

VSW developed and approved TU 1883-010-48124013-2003 (edition 3) and mastered the technology of manufacturing electric-welded heat-treated longitudinal corrosion- and cold-resistant pipes for the oil pipelines of Rosneft’s fields.

- Longitudinal electric-welded steel casing pipes and couplings with VSW-1 thread: according to TU 1321-045-05757848-2009, strength class Еc;
- Pipes of 325х8 mm; grades L415MS(X60MS) and L485QS(X70QS) designed for operation in “acid” environments according to the API Spec 5L standard (edition 44);
- Pipes Ø 530 mm; grades K50-K60 for gas-main pipelines and field pipelines transporting non-corrosive products rated for working pressures of up to 9.8 MPa according to TU 1381-035-05757848-2008;
- Casing pipes of 244.5х8.9 mm made of steel grades 22 GF and 26XMA with the principal metal and weld joint impact corresponding to grade of up to Ls according to TU 1321-030-05757848-2009, for pipes with higher cold-resistance properties;
- Seamless pipes Ø 166.0, 170, 1877, 194.5, 269.9 mm with wall thicknesses varying between 17.8 and 251 mm made of steel grades 40 (45); strength class D; grade Е according to STO 018-2008;
- Seamless pipes of 269.9 x 22.1 mm made of steel grade 30 XMA; grades Е, L, M; pipes of 1877 x 17.8 mm and 269.9 x 22.1 mm; pipes made of steel grade 35G2; grades Е, L, M according to GOST 632-80 and Е according to TU 1321-030-05757848-2009 with higher cold-resistance properties for manufacturing couplings for ultra-strength casing pipes;
- Seamless pipes for manufacturing couplings for oilwell tubings of 88.9 x 12.0 mm made of steel grade 40; grade D;
- Preparation for the production of double-seamed pipes under the BPS 2 project included the rehabilitation of TESA 1020V line;
- Corrosion-resistant line pipes of 530 x 14 mm and 720 x 10 mm made of steel grade X66 in accordance with the requirements of API Spec 5L, PSL. 2 (edition 44) for Rosneft;
- Longitudinal electric-welded steel casing pipes and VSW-1 couplings according to TU 1321-045-05757848-2009 and TU 1321-041-05757848-2009, grade Ds;
- Casing pipes of 244.5 x 8.94 mm made of steel grades 22GF and 26 XA; grades L80-1, C95, P110 according to the API Spec 5CT standard; grades Еs, Ls, Ms according to TU 1321-016-05757848-2005 after hardening and tempering;
- Casing pipes of 146 x 7.0 mm and 168 x 8.9 mm made of steel grade 22GF; grade Еs according to TU 1321-016-05757848-2005 after cold forming and thermal treatment of the weld zone;
- Casing pipes; grades P110, N80Q, PSL-2 with buttress, LC, STC, thread connection;
- Casing pipes; Ø 244.5 mm with a wall thickness of 11.1 mm made of steel grade 22GYu according to TU 1321-016-05757848-2005; grades Ds (with local heat treatment of the weld zone), Еs, Ls after hardening and tempering;
- Pipes of 762 x 19.0 mm and 762 x 265 mm made of steel grade SAWL 450 for the construction of surface oil trunk pipelines operating in the acid environment in accordance with ISO3183:2007 and DEP 3140.20.37.Gen (line pipes for Shell). OMK obtained permission for the production of a commercial batch of pipes of 762 x 19.0 mm made of steel grade SAWL 450.
VSW manufactured the pilot batches of:

- Pipes of 863.6 x 25.2 mm made of steel SAWL 485 FD for the construction of undersea gas-main pipeline in accordance with the requirements of DNV-OS-F101 (2007) and customer specifications No. SHI-AA-094O-000067 (edition 0); Stockman project of line TESA 1420 and TESA 1020. VSW obtained permission for the production of a commercial batch of pipes of 863.6 x 25.2 mm made of steel SAWL 485 FD, the supplier’s metal (DILLINGER, Germany). It plans to obtain permission for the production of pipes of 863.6 x 25.2 mm made of steel SAWL 485 FD, the supplier’s metal (Magnitogorsk Iron and Steel Works);
- Pipes of 813 x 38 mm made of steel SAWL 450 SFDU and SAWL 485 SFDU for the construction of undersea gas-main pipeline (South Stream project). Testing is underway.

Project-Related Production:

- Double-seamed pipes: outer Ø 1067 mm of line TESA 1020B according to TU 1381-007-05757848-2005 (BPS 2 project);
- Pipes: outer Ø 1067 mm made of steel class X65 for the construction of gas-main pipeline in accordance with the requirements of the API Spec 5L, PSL 2 standard (edition 43), General Specifications No. S40021-000-COR-10.04-10001 (OML 58 O.U.R project of line TESA 1020B);
- Pipes of 1220 x 17.8; 21.2 mm made of steel grade K60 in accordance with the requirements of TU 1381-012-05757848-2005 (Sakhalin — Khabarovsk — Vladivostok project);
- Pipes of 508 x 22.2 mm made of steel grade L415M for the Arkutun Dagi subsea pipeline (sea part) in accordance with the requirements of High Strain Offshore LinePipe specifications (customer: ExxonMobil).

Chusovoy Metallurgical Works

CMW took part in the Russian Quality Program and was awarded diplomas;
- The certification audit conducted by Bureau Veritas Certification confirmed the compliance of CMW with the requirements of the ISO9001:2008 international standard;
- Moseksperststroyertifikatsiya, a certification authority, certified two product types: hot-rolled steel for reinforcing periodic-profile concrete structures, class AI; grade 25G2S (small- and medium section);
- CMW performed work to implement technical specifications ISO/TS 16949:2009 — Particular requirements for the application of ISO 9001:2008 for automotive production and relevant service part organizations;
- 2009 saw two-fold reduction in the volume of identified non-conforming products purchased by customers as compared with 2008.

Product Quality

CMW implemented 25 investment projects, including equipment replacement projects. The most remarkable ones include:

- Purchase of the spring sheets heat treatment line, whose commissioning in 2010 will allow extending the size range and improving the quality of springs products;
- Purchase of equipment for statistical and cyclical springs tests for the purpose of replacing outdated equipment and broadening the testing potential of springs for large goods vehicles;
- Installation of spring plate storage racks, which allowed preventing band damage and metal confusion during storage;
- Two mills for rolling blanks for small-plate springs were commissioned.
In 2009, the quality management system of APP was successfully recertified. The recertification audit conducted by Russian Register Certification Association confirmed the compliance of QMC with the requirements of the ISO 1509001:2008 international standard; compliance certificate was issued;

2009 saw the extension of certificates for product compliance with the GOST R system for pipes according to GOST 30245-2003; for pipes with external coating, according to TU 1394-012-01284695-2006;

All pipe products manufactured by the entity are certified for compliance with the GOST R system;

Rostekhnadzor issued application permissions for the products manufactured by APP;

The plant’s products are included in the Product Application Registers of Gazprom and Transneft;

APP won the Best Goods of the Republic of Tatarstan Contest 2009 in the Producer Goods category and was awarded a diploma of the Top 100 Russian Goods contest;

In 2009, APP received 25 positive feedback letters about the products supplied.

2009 witnessed large-scale work related to the re-equipment, upgrading and technology improvement. The following activities were performed:

Rehabilitation of eot crane on sgp-1;

Construction and installation of hydraulic press on the line of mill 20-76;

The sets of roll mandrels were manufactured for reducing downtime on mills 10-65,10-35,10-76, 42-114 in junctions;

APP mastered the production of new sizes for shaped pipes: 15 x 15 mm, 40 x 25 mm, 140 x 60 mm, 180 x 180 mm and 200 x 160 mm;

APP mastered the pipe local heat treatment technology on the line of Mill 102-220;

APP rehabilitated a shot-blower unit on the 3rd process line of the external insulation facility;

APP purchased a needle-shot system for marking insulated pipes;

APP purchased and installed equipment on the line of Mill 102-220 for automatic pipe marking;

APP replaced two EOT cranes which exhausted their service life.

The development of innovative activities in 2009 included the implementation of 14 optimization proposals. The economic effects of the implementation of optimization proposals were RUB 18,294 thousand.

The duly authorized institutions conducted two recertification audits of Trubodetal’s QMS, three inspections of its QMS and products, four product recertification audits;

The Expert Committee of Paritet (quality system certification authority) in cooperation with international experts from TUV CERT performed an integrated audit of QMS compliance with the requirements of the ISO 9001:2000 and ISO/TS 29000:2003 international standards and the GOST R ISO 9000-2001 national standard, resulting in the obtainment of two QMS compliance certificates valid until June 2011 and the extension of one more certificate;

Trubodetal obtained two certificates for compliance of its products with the GOSTR system;

Certified products underwent inspection control in the Gazpromsert voluntary certification system. Five product compliance certificates were extended until May 2010;
Trubodetal obtained a certificate of compliance of its products with the Transsert voluntary certification system. The inspection resulted in the extension one product compliance certificate; The Research Center and the Non-destructive Inspection Laboratory of Trubodetal passed the third inspection control of its proficiency assessment and accreditation with Transsert VCS. RC and NDIL obtained proficiency certificates valid until December 2012; The improvement of the Quality Management System standards was accompanied by activities under the Product Quality Improvement Program for 2009 involving almost all functions of the entity; All products manufactured by Trubodetal hold application permissions issued by Rostekhnadzor, are certified in the System of Oil and Gas Industry Equipment Certification and hold GOSTP compliance certificates. Trubodetal installed a pendulum testing machine for shock-bending testing of sample products with wall thicknesses of less than 5 mm. As a result of its installation, the duration of sample testing being reduced from 10 days to 1 day; Trubodetal finalized the implementation of electronic forms of passports, including those for mounting components of compressor stations.

With regard to mastering the production of new product types:
- Trubodetal mastered the production of 134 products of strength classes K52, K5б, К60;
- Trubodetal mastered the production of branches bent according to TU 4881-05, GazTU102-488/2-05, TU 1469-006-04834179-2006, TU 1469-012-04834179-2008; Ø 273 — 1,420 mm;
- Trubodetal mastered the production of 630 mm branches (Ø 530) made of steel grade 13KhFA, 09G2S according to GOST 30753-2001 subject to the additional requirements of OTT-08.00-60.30.00-KTN-096;
- Trubodetal mastered the production of fittings with improved serviceability designed for field pipelines with nominal pressures of up to 10 MPa according to TU 1469-018-04834179-2009;
- Trubodetal developed, mastered and implemented a new technology for manufacturing stamp-welded T-shaped pipes of 530 × 426-30-20 and stamp-welded T-shaped pipes of 820 × 720-23-17 with cylinder course radial coupling;
- Trubodetal mastered the production of thin-walled bottoms DSh 530 × 11, DSh 720 × 11, DSh 20 × 16;
- Trubodetal developed and mastered load drum production technology;
- Trubodetal mastered the production of deformation limiters;
- Trubodetal mastered the production of TVCh bends (Ø 1,420 mm); grade K65;
- Trubodetal mastered a technology for Barrier 77 and Primastic Universal coating of pipe spools;
- Trubodetal is implementing an investment project for insulation coating of bent branches (Ø 219—1,420 mm) and built-up steel branches (Ø 720—1,420 mm); purchased a part of equipment and performed pilot operations;
- Trubodetal mastered the production of air-release T-shaped pipes according to TU 3663-019-01297858-06.

With regard to technology improvement and pipeline fittings production:
- Trubodetal developed, mastered and implemented the technology of full coining of stamp-welded T-shaped pipes 1220-45-32 and 1420-60-45 using the press P-2368;
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- Trubodetal mastered and implemented T-shaped pipe production using the new press P7837;
- Trubodetal mastered and implemented a technology for manufacturing the junctions of 1,067 × 1,020 × 19 and 1,067 × 1,020 × 16 using sheet-bending machine VRM-3000;
- Trubodetal mastered and implemented the calibration of built-up steel waste (Ø 720—1,420 mm) using the new 780.00.00.000.

With regard to the automation of labor-intensive processes and equipment upgrading
- Trubodetal purchased hydraulic presses P7848, effort 65000kN and P7837, effort 5000 kN, sheet and plate bending machines VRM-3000 and VRM-1600 and Fanfuzzi diesel loader FDC-320 under the new project for Creation of Facilities for Production of Stamp-welded T-shaped Pipes (Ø 530—1,420 mm) rated for pressures ranging between 1.6 and 15 MPa; strength class up to K65;
- Trubodetal purchased special machine SM 219Ф2 for the mechanical treatment of T-shaped pipes made of built-up steel and developed a program of automated mechanical treatment;
- Trubodetal upgraded the stand for gas stippling of steeply-curved stamp-welded elbows of 720—820 mm;
- Trubodetal manufactured and implemented gas stippling stands for T-shaped pipes;
- Trubodetal purchased and implemented pipe gas cutting machine tubOcut IV.

The duly authorized institutions conducted one supervisory audit of QMS of the Subsidiary of OMK-Steel, one product certification audit, accreditation and extended the subsidiary’s laboratory certification:
- BVQ1 conducted the first supervisory audit and an additional audit of QMS compliance with the requirements of ISO 9001-2008. The audit resulted in the issuance of certificate valid until November 2011, coil, sheets and strips;
- TUV performed a certification audit which proved that the subsidiary’s product quality assurance and control systems complies with the requirements of European Directives 97/23/EC, 89/106/EWG, 87/404/EWG and German National Rules AD 2000 Merkblatt WO. The audit resulted in the issuance of certificates authorizing the products to carry CE marking and be sold to the EU countries;
- ISO, Yekaterinburg, accredited the subsidiary’s laboratory in the analytical laboratory accreditation system and re-accredited it due to changes in ownership form. The audit resulted in the issuance of a certificate of compliance with the requirements of GOST R ISO/MEK 17025-2006 valid until April 2012. The same institution conducted a supervisory audit of the status of changes in the laboratory (attestation) and expanded the coverage of attestation. The audit resulted in the issuance of attestation certificate valid until August 2011.

The Subsidiary of OMK-Steel optimized its secondary refining process;
- For the purpose of improving the internal structure of slabs and raising the quality of coil rolled strips; grade 22ГУ, the Subsidiary of OMK-Steel tested the temperature and speed rates of continuous casting machines with varying frequency and crystallizer pan swing amplitude;
- Pilot operations identified the optimal taper angle of the crystallizer pan and the optimal position of the submerged nozzle in the crystallizer pan for low-carbon low-alloy steel grades, which allowed reducing rolling tear and брака rates.
The Subsidiary of OMK-Steel developed and mastered the following new production technologies:

■ Technology for producing hot-rolled steel coils 20 and ST3SP with thicknesses of 1.20 to 12.70 mm according to TU 14-1-3579-83;

■ Technology for producing hot-rolled steel coils 22GYu (strength grade E) with thicknesses of 5.00-12.70 mm and steel grades K52-K56 according to TU 0908-025-99637759-2007;

■ Technology for producing hot-rolled steel coils A36 with thicknesses of 1.20 to 12.70 mm according to ASTM A36/A36M;

■ Technology for producing hot-rolled steel coils 09G2S with thicknesses of 5.00 to 10.00 mm according to TU 00908-005-99637759-2007;

■ Technology for producing hot-rolled steel coils 17G1S-U with thicknesses of 6.00 to 10.00 mm according to TU 0908-004-99637759-2007;

■ Technology for producing hot-rolled steel coils S235JR with thicknesses of 1.60 to 8.00 mm according to EN 10025-2-04;

■ Technology for producing hot-rolled steel coils SAE 1006 and CS Type B with thicknesses of 1.60 to 8.00 mm according to ASTM A1011/A1011M.

The supervisory audit conducted in April 2009 by Kompozit Kachestvo, a certification authority, proved that the certified quality management system of Shchelmet complies with the requirements of GOST R ISO 9001-2001 with regard to the production and supply of sheathed steel pipes with polyurethane foam (PPU) heat insulation.

■ Shchelmet developed a technology for producing double-rolled plates. It manufactured a pilot batch of plates meeting all requirements of domestic and European standards, which passed industrial testing at a number of leading entities of the packaging industry;

■ Shchelmet developed process conditions for producing pipes with polyurethane foam (PPU) heat insulation using new types of materials and component parts.

A certification authority conducted supervisory certification audit, which proved compliance of the entity’s QMS with the requirements of ISO 9001-2008.
In 2009, the Company continued with its programs aimed at enhancing personnel efficiency. The Company’s efforts toward raising its efficiency included activities aimed at optimizing headcount for achieving the target based on both external and internal benchmarks, the optimization of business processes for the purpose of minimizing labor intensity, the development and implementation of indicators for assessing personnel efficiency.

In 2009, the Company continued work toward outsourcing the non-core functions and centralizing the service functions within VSW and CRC.

APP performed activities aimed at optimizing its headcount; the entity’s labor productivity increased by a total of 26%.

Last year, VSW and its subsidiaries continued to implement the action plan for achieving the target personnel figures developed in 2007 based on comparison with the best global benchmarks. In 2009, labor productivity increased by 9%.

The company’s entities developed the programs of additional measures aimed at enhancing personnel efficiency, which allow engaging personnel and minimizing downtime by reallocating personnel in case of workload reduction in individual areas of work and training in adjacent professions.

In 2009, the company developed compensation targets for the OMK entities. The average salary paid by the company increased by about 10% compared with the previous year.

In 2009, the main tasks for improving the wage system were as follows:
- To align the conditionally constant component of wages with the company’s goals for 2009;
- To decrease the number of tariff scales;
- To transition production departments to payment by the hour with regard to the conditionally constant component of wages;
- To optimize the quantity and content of kpis and shift focus on collegial responsibility;
- To optimize compensation payments.

In 2009, the company continued implementing the common principles of organizational projecting (OP), unifying the names of subdivisions and positions, optimizing the quantity of management levels and manageability standards. It developed and implemented the matrix of upper management level functions, which allows unifying functions at the company level.

During the year, top priorities in personnel development were as follows: training for workers (mandatory and professional training) and forming the company’s personnel reserve. Considering qualified personnel as a key factor of operational efficiency, the company’s management offers its employees wide opportunities for continuous professional growth.

During 2009, 7,487 workers took professional training courses, obtained their second profession and took advanced training courses, including 4,748 people in Vyksa (VSW and Subsidiary of OMK-Steel), which allowed reallocating personnel among businesses depending on volumes.
Training was organized and conducted for 3,579 managers, professionals and employees, including 246 people under the Top Managers Development and the Company’s Personnel Reserve Development programs.

The functional training of managers, professionals and employees continued. During 2009, more than 2,000 people took advanced training courses and studied best practices, including 78 at VSW.

Special attention was paid to training aimed at improving production quality and efficiency. It includes the study of lean production programs and quality management system. More than 200 people were trained under the Harmonization project implemented at CMW and the Lean Production program; 260 people, within the quality management system. New evolving areas of the company personnel training include IT training, including distant learning. More than 200 people were trained in this field.

Under the Program of additional measures aimed at mitigating pressure in the Perm Territory labor market, CMW ranks third among territorial entities in the number of employees trained under the Program. Training courses were conducted on the base of CMW’s Corporate Training Center involving professional teachers. In total, more than 200 people were trained. The Personnel Development Division of VSW participated in the Regional Purpose-Oriented Program Concerning Additional Measures Aimed at Mitigating Pressure in the Nizhni Novgorod Region Labor Market in 2009 pursuant to the resolution of the Government of the Nizhni Novgorod Region on the organization of prospective professional training for personnel. In this regard, VSW and the Vyksa District Employment Center organized prospective training for 212 employees of the entity. In addition, 232 NDT inspectors and controllers were trained, certified and recertified in Welding and Control at the Bauman Moscow State Technical University in accordance with the EN-473 international standard for visual and measuring testing. Similar work was performed by the Almetyevsk Pipe Plant, 200 people took prospective training courses.

2009 saw the implementation of a new adaptation system for new employees, the approval of Regulations by all entities of the company, which allows new employees to become full team members quicker.

The training of young professionals at the company’s entities included on-the-job training and internship for 1,821 students of higher and secondary professional training institutions in metallurgical disciplines. Excursions were organized and conducted for all school pupils and the students of colleges, higher educational institutions and basic educational institutions (more than 2,200 people) to familiarize them with the primary and secondary businesses of the company.

2009 saw the beginning of implementation of the OMK-CAMPUS—MISIS Master’s Degree program. 10 out of 60 candidates passed the difficult and long selection process, were enrolled in the program and obtained Master’s Degree in Rolling from MISIS.
The company actively supports educational institutions ranging from higher institutions to schools and develops its own training base, finds new forms of work in the area of personnel development. Five schoolchildren received the Batashev scholarships for excellent academic achievements and outstanding creative works. Pursuant to the Regulations of VSW for the Procedure for Awarding the Batashev Scholarships the value of scholarship for schoolchildren in 2009 was RUB 1,000.

In 2009, VSW and basic engineering schools (Vyksa Polytechnical School and Vyksa Metallurgical Technical School) entered into agreements for the training and recruitment of professionals who obtain a diploma in secondary professional education studies. Under these agreements for the relevant disciplines VSW finds jobs for engineering school students upon completion of training. In 2009, 136 students were employed by the works. Under the above-mentioned agreements more than 200 students mastered additional professions at the Training Center of VSW.

Costs associated with supporting basic educational institutions in Vyksa and Chusovoy exceeded RUB 32 million (including RUB 20.3 million support for participation of the Vyksa Polytechnical School in the National Education Project for 2009).

In 2009, on the recommendation of OMK, young professionals from VSW participated in two-week internship sessions in Germany and a female 5th year student of the Nizhni Novgorod State Technical University, in Italy, at the leading iron and steel plants.

OMK held the 2nd Annual Scientific practical Conference for Young Professionals. The goal of the conference is to identify and mobilize the creative potential of young professionals for the accomplishment of engineering objectives contributing to the improvement and encouragement of scientific research activities at OMK entities. In total, more than 100 people participated in the conference. The students of Russia’s leading institutions of higher technical education for the first time presented their papers and presentations at the conference.
The social responsibility of a large company in the current environment reflects a broad range of relations in the context of market economy.

Social responsibility is aimed at ensuring interests of the society, consumers, proprietors, and employees, promoting welfare and life quality, and contributing to the social and economic development of the areas that are part of OMK’s business coverage.

In the regions of its operational coverage, the Company implements the following programs:
- Retirement Insurance;
- Housing Policy;
- Medical Care and Recreation;
- Developing Younger Generation;
- Supporting Veterans.

The goal of OMK’s social programs is to
- Retain its key employees;
- Encourage employees to improve their performance;
- Ensure decent pension upon retirement;
- Identify, promote and support youth in areas such as science, creative work and sports;
- Improve the health of employees, their family members and retirees from among the company’s long-service employees;
- Reduce employee disease rate and restore their labor potential.

An important component of the company’s social policy is the system of non-state retirement insurance. From 2007 to 2009, the OMK entities actively informed their employees about options for managing the cumulative part of their labor pensions by selecting a management company. The demonstration of advantages and disadvantages of management companies as compared to state programs allowed employees to make informed decisions when placing their pension funds.

The Company is making consistent efforts toward implementing its program for non-state retirement insurance for its employees after 15 years of continuous service with the company.

In 2009, the OMK entities plan to implement the Non-State Retirement Insurance Program for employees with at least 15 years of service with the company.

The company in collaboration with Gefest (corporate) Non-State Pension Fund held in the regions where it operates a number of outreach events aimed at raising the awareness of its employees for the purpose of forming pension savings increasing the cumulative part of labor pension.

To attract qualified professionals and young people to working for its entities located in the Vyksa District of the Nizhni Novgorod Region, in 2008, the Company approved the regulations “On Corporate Assistance and Support for the Employees in the Improvement of Housing Conditions of the Employees in the Vyksa District of the Nizhni Novgorod Region,” outlining a transparent mechanism for the employees to obtain residences in the Vyksa District of the Nizhni Novgorod Region.
This area includes a number of measures aimed at maintaining employee health level ensuring their successful and reliable professional activity and at creating favorable conditions for promoting health and organizing proper rest for employees and their family members, namely:

(1) Performing therapeutic, sanitary and anti-epidemic work aimed at preventing professional and infectious diseases on the base of corporate health units of entities;

(2) The corporate health units of entities render pre-hospital care and first aid in case of injuries, professional and sudden diseases, offer fluorographic examinations, immunization, vaccination against various diseases, etc.

(3) RUB 103,537.33 thousand were allocated for health services received by employees from the corporate health units of entities. 171,624 people sought medical advice.

Health resort treatment and rest services for the entities’ employees and their family members provided by external and corporate rehabilitation centers, spa facilities and holiday hotels in Russia. The program budget is approved on an annual basis with due consideration of an entity’s financial resources and uses three sources:

- The resources of the social insurance fund;
- The resources of entities;
- The resources of employees.

In 2009, RUB 62,256 thousand were allocated for improving the health of employees and their family members; these services were used by:

- 943 Employees working in hazardous working conditions;
- 2,315 Other employees;
- 2,046 Children of employees.

These activities resulted in the reduction of employee disease rates in the regions where the company’s entities operate from 30.3% in 2008 to 21.04%.

The company is shaping the culture of healthy life style and develops the infrastructure of sports and recreation facilities.

To promote healthy lifestyles among its employees, several entities run sports clubs and hold athletic events there and also create health centers, groups, and classes. In 2009, the entities allocated the following sums for these purposes:

- OVSW RUB 17.4 million;
- Subsidiaries of VSW RUB 6.9 million;
- CMW RUB 2.4 million;
- Gubakha Coke RUB 106.75 thousand;
- APP RUB 289 thousand;
- Trubodetal RUB 362.7 thousand.

Since 2009, the company, taking care of its employees’ health, has offered them voluntary insurance against industrial accidents at all OMK entities.
Financial Support for the Entity’s Employees

Financial support for the entity’s employees is one of the most popular program types. On the one hand, it encourages employees to work effectively; on the other hand, it raises labor productivity and ensures that employees are interested in the company performance.

In this regard, in 2009, work was performed in the regions where the company’s entities operate to standardize the indirect employee incentive system, which includes a package of social benefits and guarantees provided under Collective Agreements and additional benefits not specified in the Collective Agreements of entities.

The company’s entities render various types of financial assistance to their employees: for child birth, to families with many children, young employees, etc. The entities support the families of their employees in challenging life situations by paying allowance. Employees receive non-recurrent anniversary and professional holiday allowance.

The Collective Agreements of entities specify the obligations and responsibility of the employer and employees, the procedures for solving issues which may arise in the production process. Social benefits, labor compensation and employee health management principles were standardized. Collective Agreements are enforced by both parties to social partnership, their representatives and the relevant employment authorities.

In 2009, in the regions where the company’s entities operate RUB 15,930,37 thousand were allocated to render financial support to employees under Collective Agreements; RUB 9,848.6 thousand, for allowances; RUB 15,528.43 thousand, for incentives.

RUB 5,205,82 thousand were allocated to solve other issues related to extraordinary and unforeseen circumstances by the Funds of the entities’ managers.

Developing Younger Generation

Development of younger generation and potential young employees by the company is a field of overlapping interests of youth as a special social group and business.

Young employees are a source of development of new processes concerning organizational reforms and the implementation of new methods. The most significant need of entities is to strengthen young employees in metallurgy. To that end, various contests and events are held in the regions where the company’s entities operate:

- VSW holds corporate contests for Neat-Handed, the Works as Seen by Children, a corporate paintball tournament, a district-wide tourist meeting, a corporate costume party for steelworkers, district-wide foundation of the Batashev Brothers scholarships, corporate KVN (“Club of the cheerful and sharp-witted”) festival; organizes Saturday work parties to improve the territory of Pelikan and Zvezdny Children’s Campus; organizes sweeping the tombs of those who died before the anniversary of Afghanistan troops withdrawal; ZOV action;
- CMW holds youth initiatives contest, CMW youth conference. Young employees take an active part in charitable actions and events such as the international scientific practical conference in Magnitogorsk, scientific practical conference in Vyksa, Seliger 2009 All-Russian Educational Forum;
- Gubakha Coke holds a professional skill contest;
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- APP hosts autumn ball, a seminar called “All You Need Is Study!”, APP’s Olympics, professional skill contest for the entity’s employees. Young employees participate in urban professional skill contests among employed youth and the republican Cross-country Race of Nations, KVN (“Club of the cheerful and sharp-witted”) among the Republic of Tatarstan teams;
- Trubodetal holds a conference for young professionals.

Events include business games, workshops, seminars. OMK seeks to employ, train, develop and retain talented and motivated employees of varied attainments who share the company’s ideas and values.

To attract young workers, OMK’s entities, in their respective areas, also cooperate with higher education institutions, colleges, and vocational schools:
- OMK cooperates with the Moscow Institute of Steel and Alloys;
- VSW cooperates with the Nizhni Novgorod State Technical University, the Vyksa Metallurgical Technical School, and the Vyksa Polytechnical School;
- CMW cooperates with the Ural State Technical University and Vocational-Technical School No 9;
- Gubakha Coke cooperates with the Ural Chemical-Engineering College and the Ural State Technical University—UPI;
- APP cooperates with the Almetyevsk State University and Vocational-Technical School No 65;
- Trubodetal cooperates with the South-Ural State University.

OMK gives special care and attention to its employees who devoted a significant part of their lives to their employer.

OMK provides regular social assistance to its retirees so they could enjoy decent living standards.

As of late 2009, the non-working pensioners residing in the Company’s operational areas, as registered on the OMK entities’ lists include: 4,939 retirees of VSW (1,743 men and 3,196 women), 4,379 retirees of CMW (1,900 men and 2,479 women), 630 retirees of Gubakha Coke (246 men and 384 women), 676 retirees of APP (230 men and 446 women), and 512 retirees of Trubodetal (205 men and 307 women).

Non-working pensioners who find themselves in difficult situations are provided with financial aid, as established in the relevant Collective Agreements and other local regulations of OMK’s companies. In 2009, RUB 12,017.13 thousand were allocated to render financial assistance; RUB 7,697 thousand, to solve other issues related to extraordinary and unforeseen circumstances by the Funds of the entities’ managers.

In 2009, RUB 4,222 thousand were allocated for sanatorium-resort therapy, recreation, and health improvement in OMK’s operational areas and throughout Russia. 295 non-working pensioners from among long-service employees of the company received vouchers.

Like in the previous years, several entities in OMK’s operational areas provide non-working pensioners with non-recurrent financial aid and gift sets for anniversaries, Senior Citizen’s Day,
Handicapped Person’ Day, Victory Day (for veterans of the Great Patriotic War), and Metallurgist’s Day.

Programs for non-working pensioners from among long-service employees of the company are a specific action plan aimed at solving the problems of long-service employees rather than a one-time event.

Corporate culture

The most conspicuous events aimed at strengthening the corporate culture is the award ceremonies of the Ivan and Andrei Batashev Foundation (Ivan and Andrei Batashev, founders of Vyksa Steel Works) and the Prince Golitzine Foundation (Prince Sergey Mikhailovich Golitzine founded the Chusovoy Metallurgical Works). Those Foundations were established by OMK and its relevant entities. In 2009, awards and bonuses of the Foundations were given to 19 employees of VSW, 22 employees of CMW, and 46 employees of CMW.
OMK acknowledges its responsibility for preserving natural environment and conducts its business in accordance with international standards and the applicable laws of the Russian Federation, seeking to ease man-induced environmental stress in the Company’s operational areas.

Based on the certification audits conducted in May 2009, VSW and CMW obtained certificates for the compliance of their environment, health and safety management systems with the 15014001:2004 and OHSAS 18001:2007 international standards. The certificates of Bureau Veritas Certification are accredited by UKAS (the United Kingdom Accreditation Service assessing the performance of certifiers). Therefore, the coverage of entities by the environment, health and safety management system is as follows:

**17%**
Personnel of the OMK Group entities whose management system is not certified for compliance with the international requirements of the ISO14001 and OHSAS 18001 standards

**83%**
Personnel of the OMK Group entities whose management system is certified for compliance with the international requirements of the ISO14001 and OHSAS 18001 standards

To date, 81% of the strategic investment plan of OMK until 2012, with USD 60 million investments, have been implemented. Top priority for this investment program is upgrading the existing business and implementing environmentally safe technologies and equipment for reducing the emissions of air pollutants, wastewater discharges and industrial waste disposal, improving working conditions and implementing state-of-the-art management systems for the purposes of achieving full compliance with the environment and health management laws of the Russian Federation.
In 2009, the Casting and Rolling Complex of OMK-Steel was announced as awardee in the National Environmental Award 2009 contest. The Subsidiary of OMK-Steel was announced as awardee in the contest in the category of Innovative Eco-efficient Technologies in the Production Sector for the project called “Facility for the Collection of Surface and Drainage Waters Intended for Use in the Entity’s Recirculation Cycle.” It was noted that the project of the Subsidiary of OMK-Steel had been awarded for “contribution to the strengthening of environmental safety and sustainable development of Russia.” The National Environmental Award 2009 contest involved 140 implemented projects which produced a positive effect in the field of environmental protection. National Environmental Award was founded in 2003 by the Non-governmental Environmental Foundation named after V. I. Vernadsky and the Environmental Committee of the State Duma of the Russian Federation. It aims to encourage the most effective developments in the area of energy and resource saving, clean production, environmental education and awareness. National Environmental Award is the recognition of OMK’s environmental responsibility by the government.

OMK pays special attention to improving its industrial waste management system, waste processing and reducing waste disposal in landfills and cinder dumps.
OMK seeks to reduce employee health damage using state-of-the-art technologies, upgrading equipment and creating safe labor conditions in accordance with the applicable laws and the company’s standards.

The frequency of accidents causing temporary disability per million man-hours reduced from 2.22 in December 2008 to 1.72 in December 2009.

The number of injuries causing disability at the OMK Group entities went down by 25% compared with 2008.

OMK will continue strengthening its reputation of a leading company characterized by state-of-the-art, positive and responsible approach to solving environment, health and safety management issues.
Based on the statistical reports on environmental protection, in 2009 (versus 2008), VSW:

- Reduced its gross emissions of air pollutants by 3,166.023 tonnes per year;
- Reduced its industrial waste by 74,121.016 tonnes per year;
- Based on the analysis performed in 2009, the air concentration of pollutants still meets the maximum allowable concentration standards.

In 2009, the air emissions of pollutants from fixed sources were 7,342.6 tonnes, a 7,146.5 tonne decrease compared with 2008.

In 2009, waste volume decreased by 481.1 thousand tonnes versus the previous year. In the reporting year, 133.0 thousand tonnes of dump furnace slags were lifted from the dump and recycled into breakstone.

Gubakha Coke opened an investment project based on its working project for the Construction of Industrial Storm Water Treatment Station.

2009 saw further work aimed at developing management system in accordance with the OHSAS 18000:2007 standard for professional health and safety management system and 15014001 standard for environmental management system.

Based on the statistical reports on environmental protection, in 2009, APP reduced its gross emissions of air pollutants by 25% versus 2008 due to the reduction of ferrum oxide emissions from pipe polyethylene insulation lines.

In 2009, the air emissions of pollutants totaled 142.771 tonnes, which is almost half of 2008 level (338.341 tonnes). In 2009, waste volumes totaled 3,938.4 tonnes, a decrease against 2008 (8,564.8 tonnes).
In 2009, the Company invested RUB 255 million in the implementation of charitable and sponsor projects. As in previous years, OMK's top-priority areas of charitable and sponsor activities in 2008 with assistance programs for vulnerable social groups — veterans and children.

2009 saw the completion of procedure for the registration of the OMK-Uchastiye Charitable Foundation for Family Support and Childhood, Maternity and Paternity Protection, founded by OMK and its top management. The list of charitable acts of OMK-Uchastiye includes the delivery of pulmotors for premature infants to the Vyksa and Chusovoy District hospitals. The purchased equipment will help public health workers to reduce the child mortality rate.

In 2009, the charitable foundation lent a helping hand to the Pediatric Oncology and Haematology Research Institute of the Blokhin Russian Cancer Research Center. Now that the government is not always able to help ill children, we have responsible companies, including OMK, whose civil position cannot but deserve respect, noted Georgy Mentkevich, Deputy Director of the Research Institute, when obtaining certificates for the procurement of medical equipment worth more than RUB 2.5 million.

The foundation organized a performance of the Zhar-Ptitsa puppet theater at the oncology center and twice took seriously ill children to the Nikulin Circus and the Obraztsov Theater. It became a heart-warming tradition to hold charitable actions and invite disabled children, kids from low-income families, foster children from orphan asylums and the orphanage of the Saint Prince Dimitry Cathedral of the Pirogov Hospital, the Filatov Hospital patients. Moreover, the foundation paid for vouchers for sanatorium-and-spa treatment to Ust-Kachka for kids from foster families of the Chusovoy District and rendered healthcare financial assistance to families with seriously ill children.

The actual costs incurred by OMK-Uchastiye in 2009 exceeded RUB 8 million. The entire sum was collected as charity donations from individuals such as the founders of the foundation and OMK's employees. A regularly updated website was created to promote the foundation's activities at http://www.omk-uchastie.ru/

Together with the Maris Liepa Charity Foundation and the Central Museum of the 1941—1945 Great Patriotic War on the Poklonnaya Hill, OMK held its fourth annual Victory Ball. The event took place on Russian Military Glory Day marking the launch of the counteroffensive carried out by the Soviet troops against the Nazi invaders during the Battle of Moscow. The invitees to the Victory Ball included former Minister of Defense of the USSR, Marshall of the Soviet Union Dmitry Yazov, People’s Artist of USSR Vasily Lanovoy, playwright Eduard Volodarsky, outstanding military and cultural leaders. “Every year, the Great Victory day goes further into the past. Every year, those who won this Victory for us are less and less numerous. Yet while we, those who know you personally, are alive, your heroic deed will be remembered, Natalia Eremina, Vice President of OMK, welcomed the guests. We thank you infinitely for what millions of your fellow soldiers and brothers-in-arms did for our Motherland.”
In May 2009, a group of pupils and students of Vyksa regular schools, colleges and institutes took part in the Road of Victory All-Russia Program. This trip gave children unforgettable meetings with the Great Patriotic War veterans and their age mates residing in Belarus, Poland and Germany. Kids laid flowers at the monument to the Soviet Liberator Soldier in Berlin, the Eternal Flame in Moscow, memorials in the Brest Fortress and Aushvitz—Brzezinka concentration camp. In order to ensure that kids from Vyksa know well and love the history of their “minor motherland,” OMK donated more than five hundred books on regional studies to 32 school and 26 municipal libraries of the Vyksa District.

Our company was among the first to respond to the Perm tragedy by transferring funds to render financial assistance to the families of those who died in the fire on December 5, 2009.

The telegram sent to Oleg Chikunov, Governor of the Perm Territory, says: "The United Metallurgical Company team took this tragedy to heart. The misery in the homes of many Perm families is a big and horrible grief. On behalf of the entire team of OMK, we would like to express our sincere condolences to you, the friends and family of those who died. We grieve with you."

The 4th Public Contest for Social and Cultural Projects of the S. M. Golitzine Foundation was aimed at developing the initiative of population of the town of Chusovoy and the Chusovoy District of the Perm Territory. Top priority in the allocation of three million ruble contest grants was supporting projects which can be used by the largest portion of the Chusovoy District population. The following projects won in 2009: roller racetrack at the Metallurg Stadium, children's playground, theater workshop on the base of Regular School No. 7.

Charity care provided by OMK to training and educational institutions traditionally remains stable and remarkable. In 2009, it exceeded RUB 37 million. The receivers include Moscow Institute of Steel and Alloys, Urals State Technical University, Nizhni Novgorod State Technical University, Vyksa Metallurgical Technical School. OMK supports not only the institutions of secular education but also Vyksa Theological School and the Kolokolchik (“Bell”) Nizhni Novgorod Orthodox Kindergarten.

United Metallurgical Company (OMK) appreciates its friendship with the State Academic Maly Theatre of Russia. Before the International Women’s Day, the Moscow office employees enjoy going to the theater, which is naturally Maly Theater. In February, one of the Ivan and Andrei Batashev Foundation awards is handled by a leading theater actor on the VSW Culture Center stage; in November, the actors of Russia’s oldest theater traditionally tour. In 2009, OMK hosted an evening with People’ Artist of Russia Vitaly Konyaev. The audience saw fragments from movies with Konyaev such as the Song About Koltsov, Clear Sky, Silence. The master came on the stage with his "apprentices" from among the students of the Acting Faculty of the International Slavonic University named after G. R. Derzhavin. They played fragments from their academic performances, sang and danced. The evening
on the VSW Culture Center stage was the debut of Konyaev’s students, the first tour in their life.

The promotion of healthy life style, the development of mass sport and support for high achievements remain special focus areas for OMK. The most noticeable sports events of 2009 include:

- Gold medal of the Russian Championship awarded to Diana Alieva, a student of the Vyksa Sambo School;
- Ski race to commemorate the 130th anniversary of the Chusovoy Metallurgical Works;
- Sixth All-Russia Sambo Tournament in the memory of the Batashev Brothers, the founders of the Vyksa Steel Works;
- Diana Alieva and Denis Mukhin from Vyksa won the World Sambo Championship in Thessaloniki, Greece.

Paying special attention to developing in regions sports games which are popular among youngsters, OMK renders sponsor assistance to Volga Football Club and the Student Basketball Association of Russia. More than three hundred teams from 80 cities and towns of Russia participate in their regular championship.

In 2009, OMK began developing relationship with the Russian Union of Marshal Arts. OMK acted as the sponsor of All-Russian Public Youth Marshal Arts Games and established a special prize for the Best Technique. The tournament was held in September in Anapa. Its participants include more than 3 thousand young sportsmen from most regions of Russia and the representatives of marshal arts from the CIS countries. “The civil position of our sponsors, including United Metallurgical Company, deserves respect, RUMA’s Executive Director Pavel Zhuravlev believes. Such socially responsible companies understand the importance of working with children. Personality development starts in childhood. In fact, we are shaping our future and I am happy that we are not alone here and large business supports us.”

In 2009, OMK Moscow Office employees held donors’ actions involving 48 people. For the first time, our employees responded to the request for holding volunteer actions:

- The first one (‘Cheburashka’s Birthday’) was municipal and took place in Gorky Park;
- The second one (‘Present Children with a Fairytale’) was held under the aegis of OMK-Uchastiye Foundation. Our employees met children at the Nikulin Circus on Tsvetnoy Boulevard, held children’s works fair, distributed programs and toy balloons.
About three hundred employees of the Moscow Branch of OMK responded to the letters to Father Frost written by children from the Social Rehabilitation Center for Minors of the Vyksa District and Special (Corrective) Regular Residential School. This year, we successfully met all children’s requests (about two-hundred). Boxes, packs, sacks of various sizes and even bicycles were purchased by the employees of OMK using their personal money beyond work hours. Moreover, the Vyksa Orphanage received four chairs for feeding disabled children, a synthesizer, toys and children’s clothing.
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