

Magnitogorsk Iron and Steel Works
announces its consolidated IFRS financial statements for Q4 2011 and FY 2011

HIGHLIGHTS

- MMK Group sales for FY 2011 were USD 9,306 million, up 21% y-o-y
- Revenue from sales of high value added (HVA) products for FY 2011 was USD 2,081 million, up 30% y-o-y. HVA products accounted for 36% of MMK Group's total production in FY 2011
- Revenue for Q4 2011 was USD 2,243 million, down 8% q-o-q
- EBITDA for FY 2011 was USD 1,336 million, down 17% y-o-y
- EBITDA for Q4 2011 was USD 203 million, down 42% q-o-q. In addition to one-off factors, the decline was due mainly to lower sales volumes and average prices for steel, coupled with higher prices of raw materials.
- Including one-off effects, the loss for FY 2011 was USD 125 million. This was due mainly to the loss for the period at MMK Metalurji, FX effects and impairment losses on assets held for sale and other non-current assets.

MMK GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS

(USD million)	FY 2011	FY 2010	+/-	Q4 2011	Q3 2011	+/-
Revenue, of which	9,306	7,719	21%	2,243	2,430	-8%
<i>Sales of HVA products</i>	2,081	1,597	30%	534	573	-7%
Operating profit	365	610	-40%	-47	94	-
EBITDA*, of which	1,336	1,606	-17%	203	350	-42%
<i>Steel segment (Russia)</i>	1,187	1,347	-12%	227	264	-14%
<i>Steel segment (Turkey)</i>	-66	-11	-	-67	28	-
<i>Coal segment</i>	222	270	-18%	46	62	-26%
<i>Consolidation effect</i>	-7	-	-	-3	-4	-
EBITDA margin	14.4%	20.8%		9.1%	14.4%	
Profit for the period	-125	232	-	-67	-205	-

* EBITDA calculation is presented in the Notes to MMK's Consolidated Financial Statements

- Sales increased by 21% y-o-y in 2011, driven by growth in production volumes and average prices. Sales growth was substantially affected by increased revenue from sales of HVA products, which increased by 30% y-o-y in FY 2011 to USD 2,081 million. The slowdown in revenue from sales of HVA products in Q4 2011 was less pronounced than the decrease in MMK Group's overall revenue in the same period.
- MMK's average finished steel products price in Q4 2011 declined by 8% q-o-q to USD 702. This decline was due to a slowdown in the global steel market and changes in the product mix.
- The cash cost of slab fell to USD 459 in Q4 2011 (USD 490 in Q3 2011) due to lower prices for key raw materials in Q4 2011 and a number of other factors.
- The cash cost for slab is likely to decline further in Q1 2012, driven by trends in commodities markets.
- Operating profit for FY 2011 fell by 40% y-o-y, due principally to the faster increase in production costs for finished products, which grew at 30% during the period compared to the 21% increase in sales.
- EBITDA for Q4 2011 was USD 203 million; the EBITDA margin was 9.1%. The 42% decline in EBITDA q-o-q was due to several factors, including a seasonal reduction in production volumes at Magnitogorsk and an 8% decline in average prices as the global economy slowed. Raw materials

costs began to decline only at the end of Q4 2011, so this effect is not fully reflected in the financial statements for the period.

- The USD 67 million EBITDA loss at MMK Metalurji was due to the challenging situation on the global steel market at the end of 2011, and additional technical losses resulting from the plant being brought to full production capacity.
- The loss for FY 2011 was USD 125 million, due mainly to the negative effect of the loss at MMK Metalurji (USD 179 million). Other factors included a negative FX effect of USD 118 million and an impairment losses on assets held for sale of USD 41 million.

BALANCE SHEET AND CASH-FLOW HIGHLIGHTS

- Total assets as of December 31, 2011 declined 3% from December 31, 2010, and amounted to USD 16,295 million.
- PP&E was almost unchanged during FY 2011, and stood at USD 11,792 million at the end of the period.
- Inventory as of 31 December 2011 stood at USD 1,776 million, an increase of 44% y-o-y. This increase was due primarily to increased production volumes of finished products in Magnitogorsk, an increase in production at MMK Metalurji, and growth of average prices for steel and major production resources in 2011 compared with 2010.
- During 2011, MMK borrowed USD 3,358 million and repaid USD 2,350 million of debt. Total debt stood at USD 4,416 million as of 31 December 2011.
- Cash and cash equivalents stood at USD 424 million as of 31 December 2011, together with liquid assets amounting to USD 717 million.
- Total capital expenditure (capex) during 2011 was USD 1,154 million, 48% down y-o-y. MMK invested USD 181 million in PP&E during Q4 2011 (USD 264 million in Q3 2011, USD 328 million in Q2 2011, USD 381 million in Q1 2011).
- Capex is focused on construction of MMK's plant in Turkey and Mill 2000 in Magnitogorsk, which is designed to produce high-quality automotive cold-rolled steel. These projects are part of MMK's strategy to increase production of HVA products and substitute imports in the Russian and Turkish markets.

MMK GROUP OPERATIONAL HIGHLIGHTS

- MMK's total crude steel output in FY 2011 was 12.2 million tons (+7% y-o-y)
- MMK's total finished steel products output in FY 2011 was 11.2 million tons (+7% y-o-y)
- MMK Group's total output of high value-added (HVA) products increased 2% y-o-y in FY 2011 to 4,066 thousand tons.

(thousand tonnes)	FY 2011	FY 2010	+/-	Q4 2011	Q3 2011	+/-
MMK Group crude steel	12,195	11,419	7%	3,109	3,182	-2%
MMK	11,724	11,419	3%	2,826	3,015	-6%
MMK Metalurji	471	-	-	283	167	69%
MMK Group finished steel products	11,158	10,409	7%	2,859	2,951	-3%
MMK	10,646	10,245	4%	2,623	2,789	-6%
MMK-Metiz*	465	450	3%	103	126	-18%
MMK Metalurji	505	156	224%	233	160	46%
<i>HVA products, MMK Group (volume)</i>	4,066	3 968	2%	1 028	990	4%
<i>HVA products, MMK Group (% of total production)</i>	36%	38%		36%	34%	

Belon coal concentrate	3,216	2,960	9%	882	849	4%
Iron ore	4,825	4,680	3%	1,145	1,224	-6%

* Including processing of MMK products

MMK steel operations in Russia

- FY 2011 finished steel products output was 10,646 thousand tons (+4% y-o-y). This growth was driven by faster economic recovery in MMK's priority markets, as well as the ramp-up of production of new products at MMK.
- MMK HVA steel products output in FY 2011 amounted to 3,283 thousand tonnes, down 5% y-o-y.
- MMK FY 2011 domestic shipments amounted to 7,181 thousand tonnes of finished steel products, up 2% y-o-y. The domestic market accounts for 67% of MMK's sales.
- HVA steel products accounted for 41% of domestic shipments in FY 2011
- MMK's major domestic clients remain pipe-makers, machine building and car manufacturing companies, which together accounted for 54% of domestic shipments in FY 2011.
- MMK's domestic sales are focused in the Urals and Volga regions. Shipments to these regions accounted for 63% of domestic shipments and 40% of total shipments in Q4 2011. MMK shipments of steel to these key regions grew by 5% y-o-y in FY 2011.
- In monetary terms, shipments to Russia and the CIS accounted for more than 70% of total steel products sales in Q4 2011.
- MMK export shipments totalled 3,465 thousand tonnes in FY 2011. The largest export markets for MMK in the period were the Middle East, Asia and the Far East, and Europe.

MMK steel operations in Turkey

- Finished steel products output at MMK Metalurji in 2011 amounted to 505 thousand tonnes, representing a more than three-fold increase y-o-y. The increase is due to the launch of the full production cycle.
- Finished steel products output at MMK Metalurji in Q4 2011 amounted to 233 thousand tonnes, an increase of 50% y-o-y.
- MMK Metalurji sales in FY 2011 amounted to USD 458 million. In Q4 2011 sales were USD 164 million.
- MMK Metalurji's EBITDA in Q4 2011 was negative USD 67 million, due to a sharp reduction in the price of finished goods (to USD 620 per tonne of HRC) and high prices for raw materials.
- MMK Metalurji is expected to have a better financial result in Q1 2012, driven by continuing increases in production volumes, a recovery in the steel price in early 2012 and a reduction in the price of scrap.
- In 2012, MMK Metalurji is expected to reach full capacity (2.3 million tons of finished steel products annualised). Production for the year is therefore expected to be up to 1.9 million tons of finished steel products.

BELON OPERATIONAL HIGHLIGHTS – MMK GROUP COAL SEGMENT

- Production of coking coal concentrate in FY 2011 was 3,216 thousand tons. Production in Q4 2011 was 882 thousand tons.
- MMK Group coal segment sales were USD 649 million in FY 2011, up 17% y-o-y. Revenue for Q4 2011 was USD 159 million, down 9% q-o-q, due to lower market prices for coal in Q4 2011.
- EBITDA for FY 2011 was USD 222 million; the EBITDA margin was 34%. EBITDA in Q4 2011 was USD 46 million, down 26% q-o-q.

MARKET OUTLOOK

MMK have increased production of finished steel products in Magnitogorsk by about 5% in Q1 2012.

Average sales prices have increased by 5-6% since the start of 2012.

An expected increase in demand for steel in Russia in 2012, the introduction of new products at Magnitogorsk (cold-rolled Mill 2000) and MMK Metalurji reaching full production capacity will allow MMK Group to increase output of finished steel products in 2012.

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MMK management will hold conference call on April 18, 2012 at 3.00 pm Moscow time, 12.00 noon London time, 7.00 am New York time.

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IFRS financial statements are available at: http://eng.mmk.ru/for_investor/financial_statements/

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MMK is one of the world's largest steel producers and a leading Russian metals company. The company's operations in Russia include a large steel producing complex encompassing the entire production chain, from preparation of iron ore to downstream processing of rolled steel. MMK turns out a broad range of steel products with a predominant share of higher value added products. In 2011 the company produced 12.2 million tonnes of crude steel and 11.2 million tonnes of commercial steel products. MMK Group had sales in 2011 of USD 9,306 million and EBITDA of USD 1,336 million.

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