



MAGNITOGORSK IRON & STEEL WORKS

Q2 and H1 2011 IFRS Financial Statements Presentation



Q2 2011 Financials

- ✓ Revenue **USD 2,417 mln** – **9%** growth to Q1 2011
- ✓ Operating profit **USD 163 mln** – **5%** growth to Q1 2011
- ✓ EBITDA **USD 380 mln** – **6%** decrease to Q1 2011
- ✓ EBITDA margin – **16%**

Q2 2011 Key Operational Figures

- ✓ Finished steel output – **2,527 th. tonnes**
- ✓ High value added (HVA) products output – **970 th. tonnes**
- ✓ Share of HVA products in sales – **37%**
- ✓ Share of domestic sales in revenue – **74%**



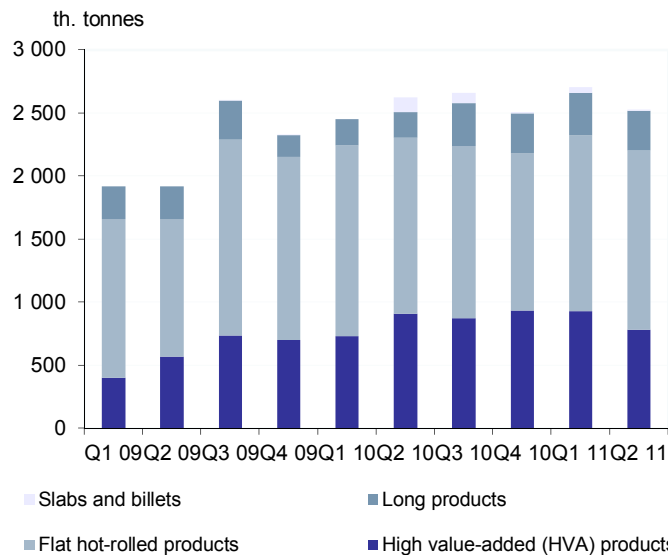
- One of the largest domestic player with strong direct exposure to growing sectors of Russian economy (pipe-building, automotive and heavy machinery industries)
- Import substitution strategy with focus on niche HVA products
- Target investments into high-quality assets and high-margin projects
- Growing integration into raw materials and increasing use of captive iron ore and coal sources
- Strict cost control – retaining competitiveness through low cost position and reduction of consumption ratios
- Maximum HVA products share in production portfolio

Growth Output Driven by HVA Products



- Finished products output in H1 2011 rose 4% y-o-y and amounted to 5.3 mln tonnes
- Main growth drivers are mill 5000 thick plates, long products and HVA products
- H1 2011 HVA products output amounted to 2,050 th. tonnes, 10% higher y-o-y

Finished products sales



MMK key operational indicators

	Q2 '11	Q1 '11	+/-	1H 11	1H 10	+/-
Cast iron	2 309	2 471	-7%	4 780	4 556	5%
Crude steel incl.	2 792	3 092	-10%	5 884	5 717	3%
EAF steel	412	641	-36%	1 053	709	49%
BOF steel	2 380	2 451	-3%	4 831	5 008	-4%
Finished products output incl.	2 527	2 707	-7%	5 234	5 076	3%
Slabs and billets	10	45	-78%	55	115	-52%
Long products	313	335	-7%	648	413	57%
Flat hot-rolled products	1 422	1 396	2%	2 818	2 906	-3%
High value-added (HVA) products	782	931	-16%	1 713	1 642	4%
<i>Thick plate (Plate Mill 5000)</i>	243	307	-21%	550	404	36%
<i>Flat cold-rolled products</i>	209	272	-23%	481	557	-14%
<i>Downstream products*</i>	330	352	-6%	682	681	0%
MMK-Metiz finished products	114	123	2%	237	205	18%
MMK-Atakas finished products	84	28	200%	112	56	100%
Belon coking coal concentrate	720	766	-6%	1 486	1 593	-7%

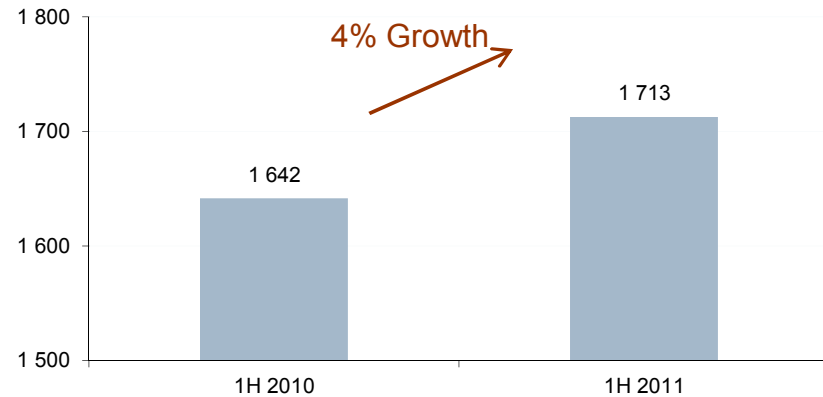
* - galvanized steel products, colour-coated steel products, formed section, band, tin plate, etc.

Strong Exposure to Price Premium Domestic Market

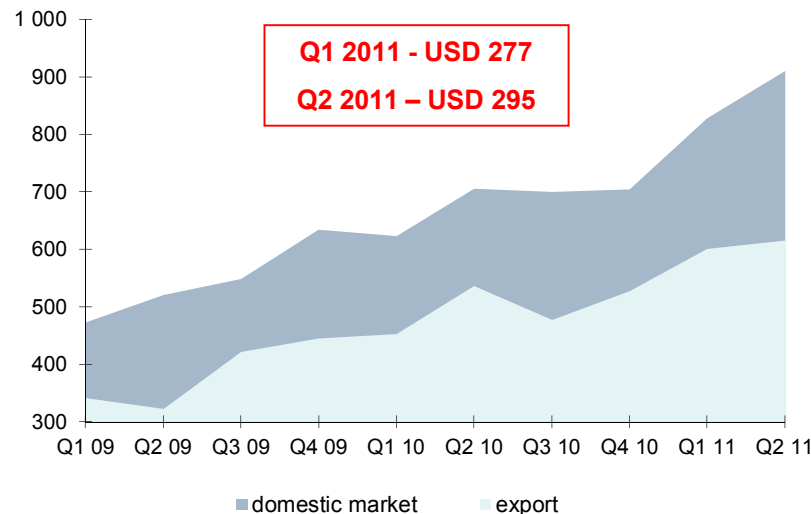


- While retaining presence in key export markets, MMK continues to supply end-customers in Russian and the CIS
- H1 2011 share of domestic sales was 68%, providing 75% of total revenue
- HVA products satisfy domestic market demand
- Domestic market continues to offer price premium
- Q2 2011 average steel products price per tonne on domestic market was USD 911, on export markets: USD 616

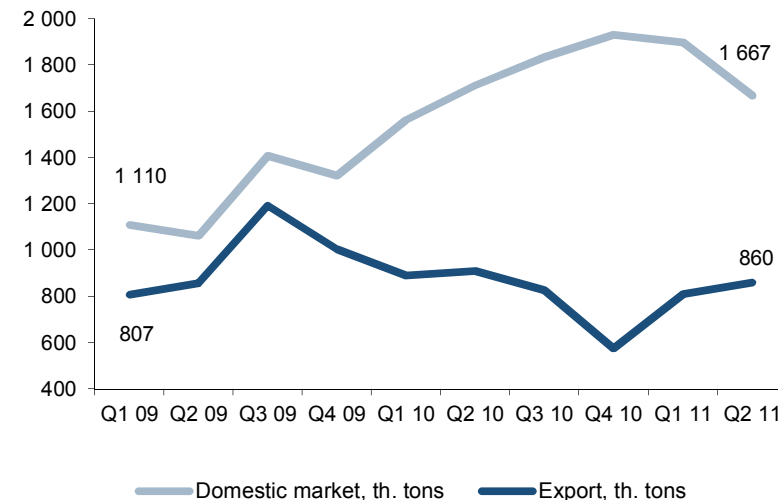
HVA products output growth, th. tonnes



Domestic market price premium, USD



Sales by market, th. tonnes



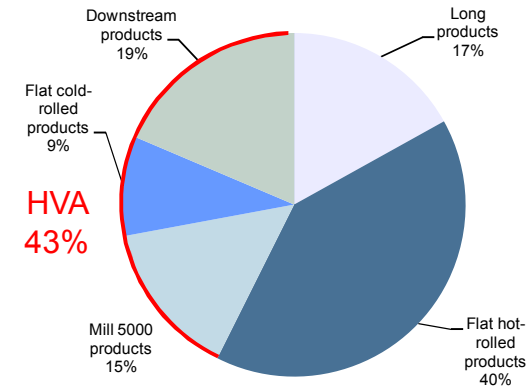
Domestic Sales Structure



- Q2 2011 domestic shipments amounted to 1,667 th. tonnes. 1H 2011 domestic shipments amounted 3,565 th. tonnes
- HVA products account for 43% of domestic shipments
- Shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 72% of sales
- MMK’s largest clients remain pipe-makers, car manufactures and heavy machinery companies

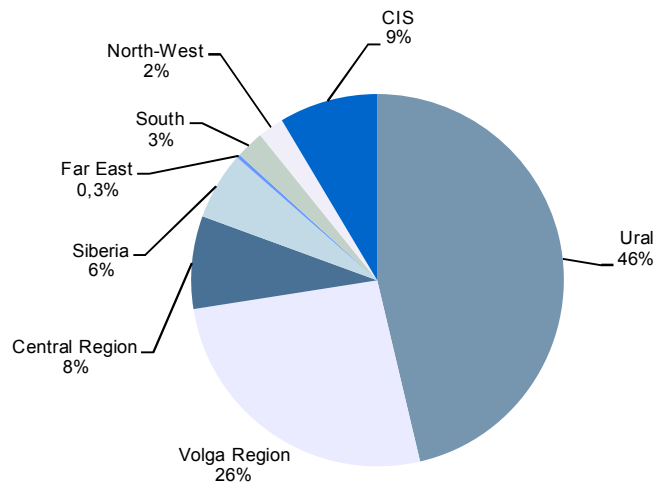
Domestic sales of finished products

Q2 2011



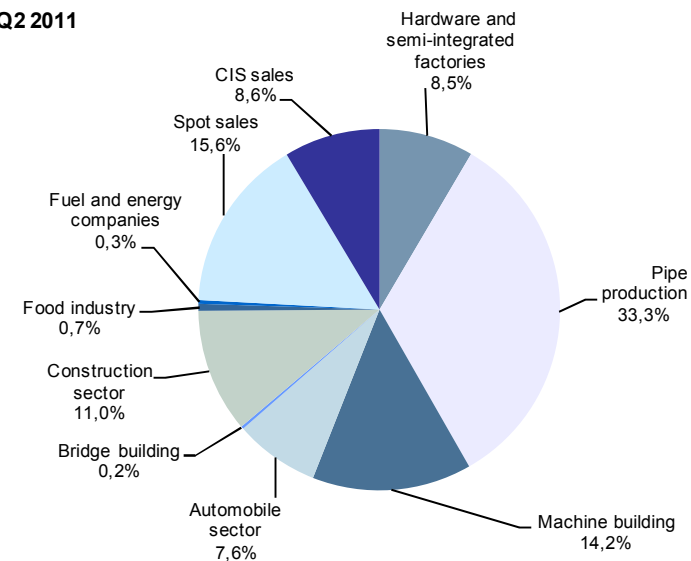
Domestic sales by region

Q2 2011



Domestic sales by industry

Q2 2011

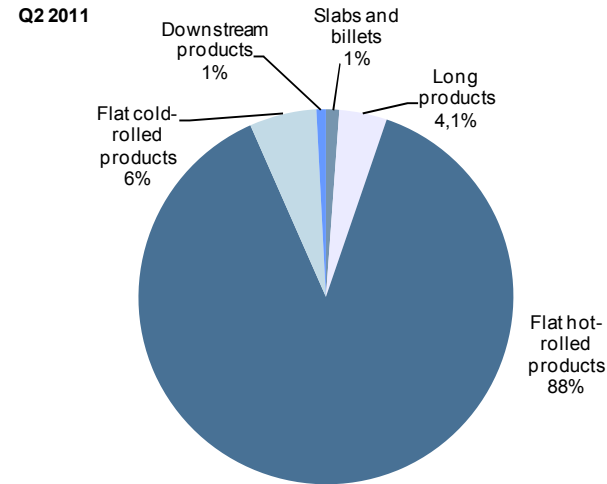


Presence on Key Export Markets

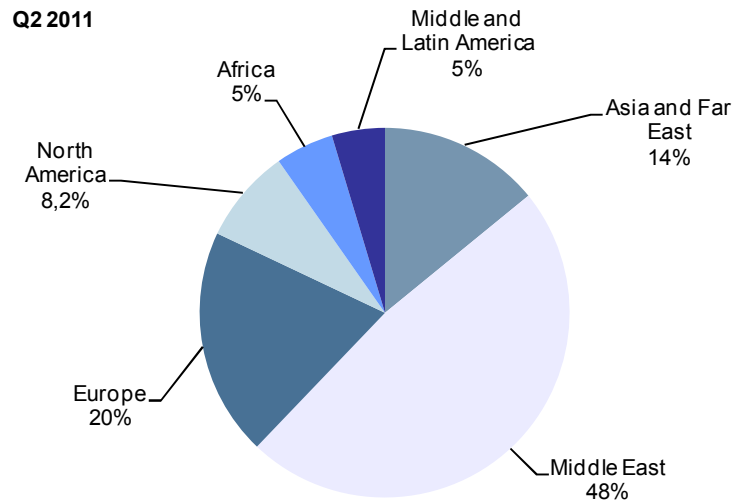


- Q2 2011 MMK export shipments increased by 6% q-o-q and amounted to 860 th. tonnes. 1H 2011 export shipments amounted 1,669 th. tonnes
- HR steel continues to prevail in the exports structure, accounting for 88% of MMK exports
- Middle East and Europe remain the largest export markets of MMK
- Exports account for 34% of overall shipments in Q2 2011
- Exports accounted for 26% in Q2 2011 revenues

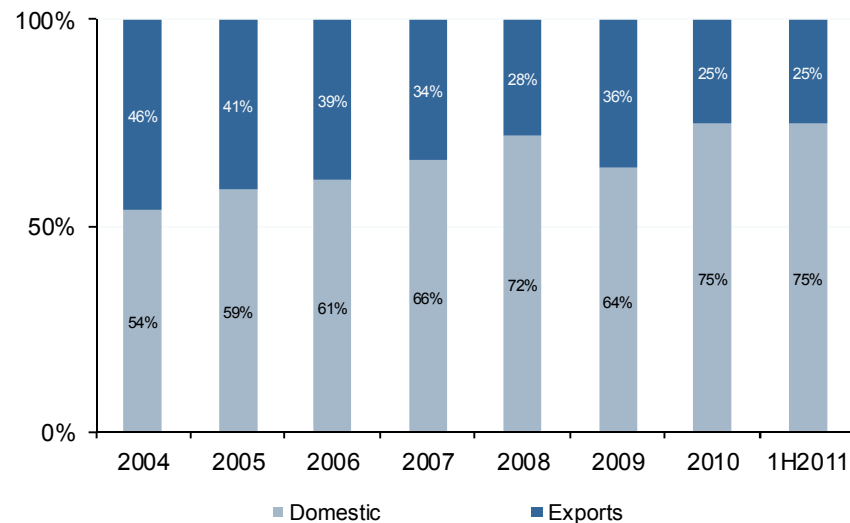
Export shipments by product type



Export shipments by region



Share of export shipments in revenue



Key P&L Statement Figures



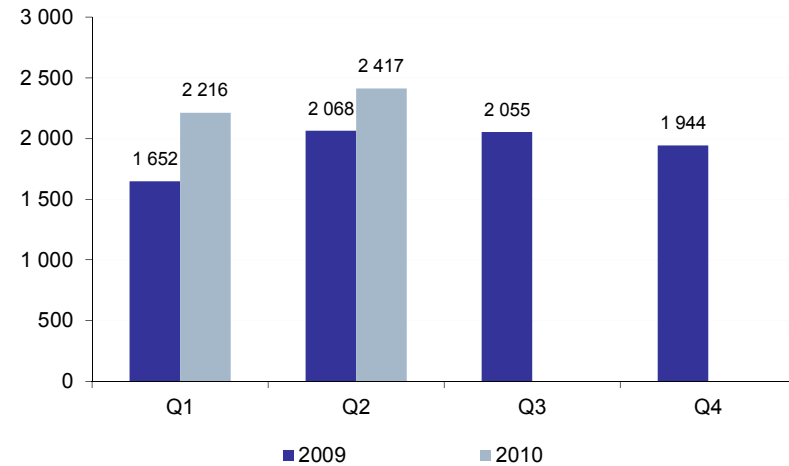
- ✓ MMK Group Q2 2011 revenue equalled **USD 2,417 mln** – **9%** higher q-o-q
- ✓ Q2 2011 revenue from HVA products sales grew at faster pace and totalled **USD 515 mln** – up **12%** q-o-q
- ✓ Q2 2011 operating profit amounted to **USD 163 mln**, **5%** higher q-o-q
- ✓ MMK Group Q2 2011 EBITDA totalled **USD 380 mln**
- ✓ Q2 2011 EBITDA – **16%**

MMK Group Q2 2011 Financial Highlights



- Revenue growth of 9% q-o-q in Q2 2011 was driven by an 10% growth in average prices
- Revenue from HVA products sales in Q2 2011 increased by 12% q-o-q
- MMK Q2 2011 profit for the period grew 5% q-o-q
- MMK Group Q2 2011 EBITDA equalled USD 380 mln

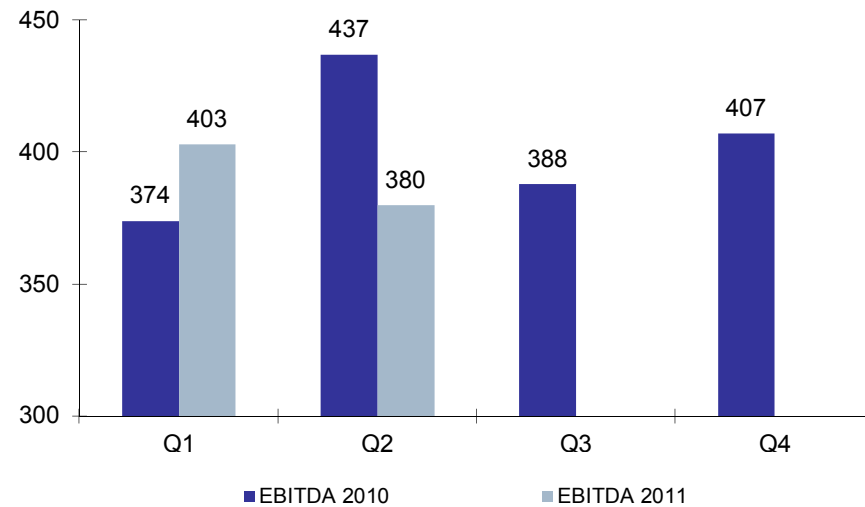
MMK Group revenue, USD mln



MMK Group financial highlights, USD mln

	Q2 11	Q1 11	+/-	%
Revenue	2 417	2 216	201	9%
Operating profit	163	155	8	5%
EBITDA	380	403	-23	-6%
<i>EBITDA margin</i>	16%	18%		

MMK Group EBITDA, USD mln

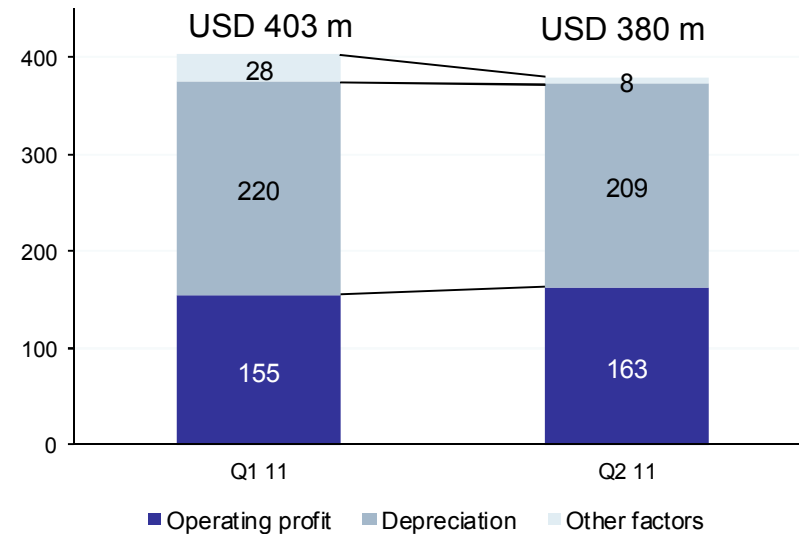


MMK Key Performance Indicators Analysis

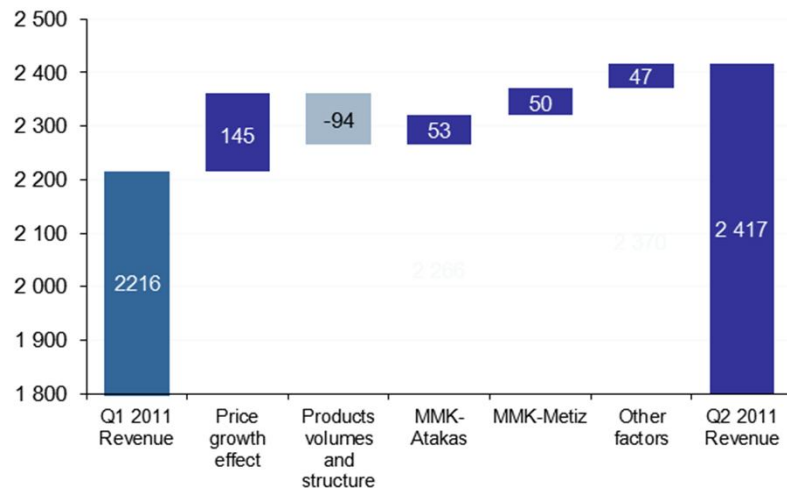


- Q2 2011 revenue increased q-on-q due to higher average prices for MMK steel products, MMK-Atakas output volumes growth as well as other companies revenue growth
- Though sales decrease, Q2 2011 EBITDA net of one-off factors remained at the level of Q1 2011
- Q2 2011 cash-cost of slab increased due to growing raw materials prices

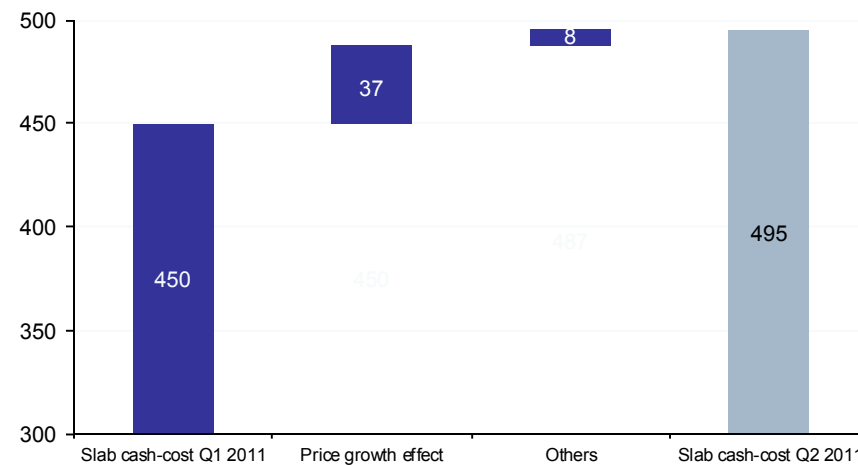
MMK Group EBITDA structure, USD mln



Revenue analysis, USD mln



Cash-cost of slab evolution, USD



Strong Balance to Secure Further Growth



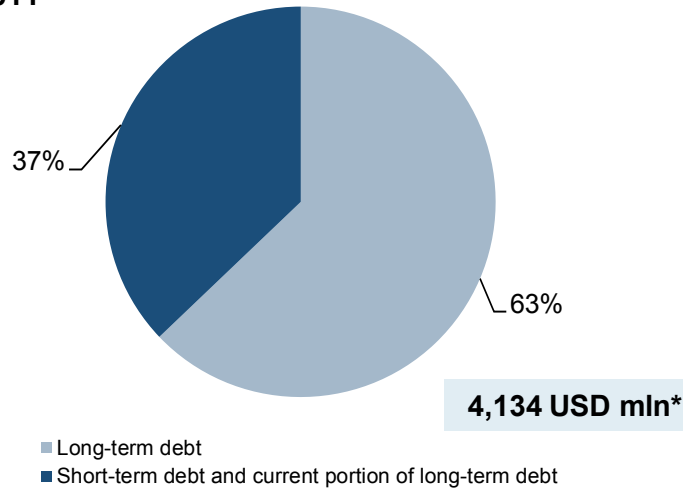
- MMK total assets stood at **USD 18,561 mln** as of June 30, 2011 – 10.9% growth to December 31, 2010
- Property, Plant & Equipment increased by 11% during Q2 2011 and amounted to **USD 13,497 mln** at the end of the period
- The balance sheet remains characteristically stable: equity accounted for **60%** of total assets at the end of Q2 2011
- As of June 30, 2011 total debt equalled to **USD 4,134 mln**
- Highly liquid assets stood at **USD 1,611 mln**
- As of June 30, 2011 net debt equalled to **USD 2,523 mln**

MMK Financial Strength

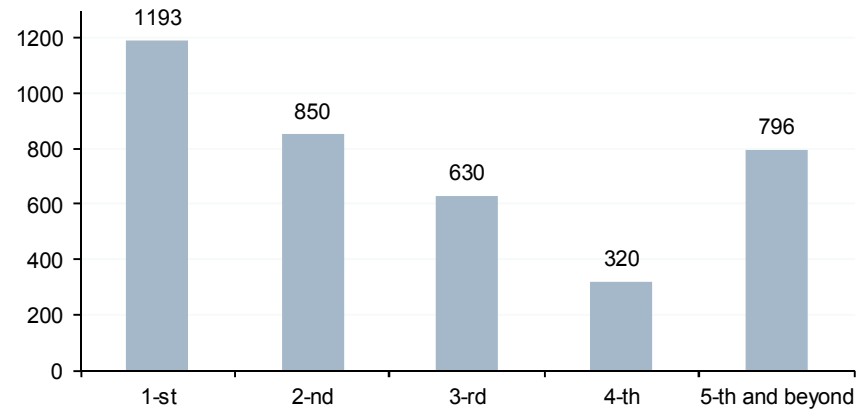


Debt structure breakdown by maturity profile

30.06.2011

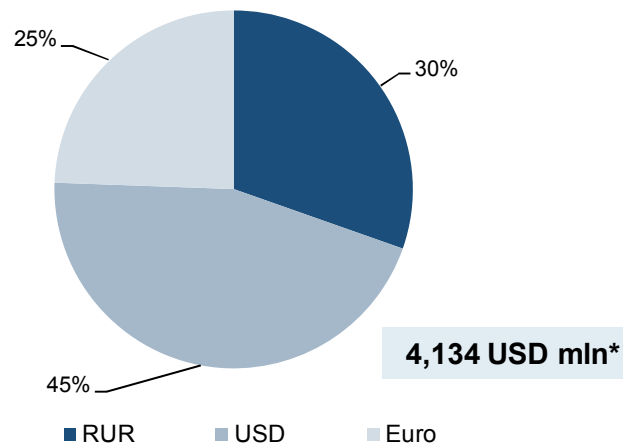


Debt maturity profile, USD mln

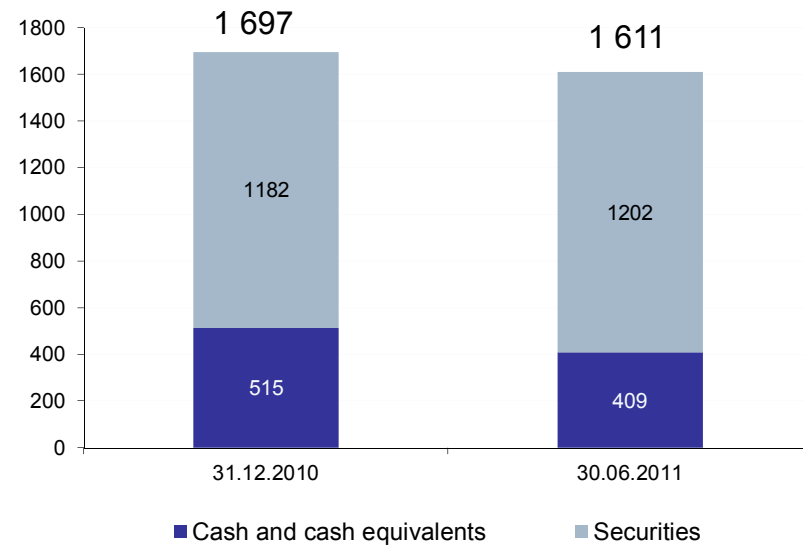


Debt structure by currency

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MMK Group liquid assets, USD mln

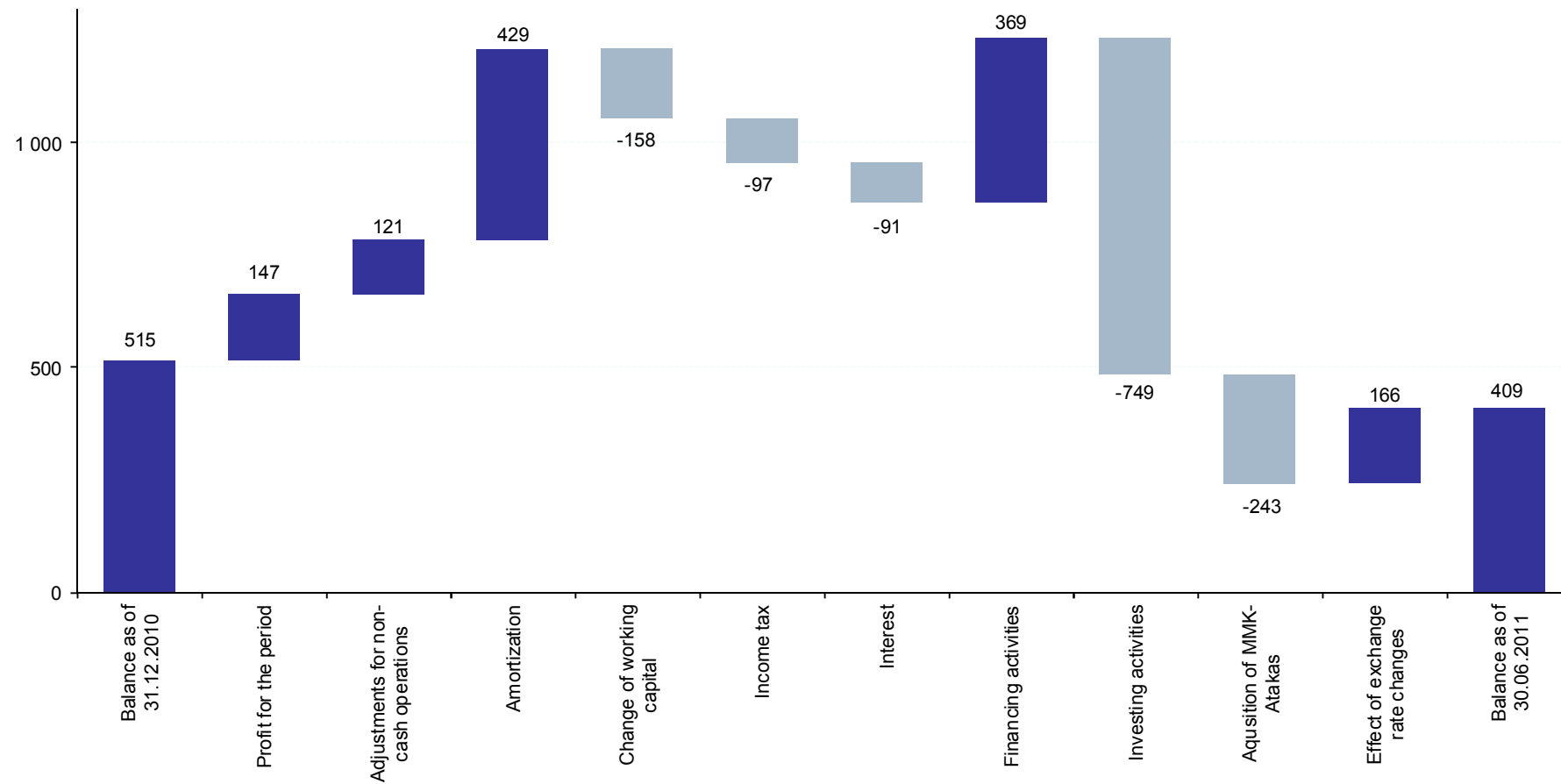


* Lease incl.

MMK Cash Flow, USD mln



- Capex in Q2 2011 amounted to USD 328 mln, 14% lower than USD 381 mln in Q1 2011
- Investment activities are financed with long-term borrowings
- MMK demonstrates efficient working capital management





- In Q3 2011 MMK operated at 90% capacity utilization rate
- Steel products output for MMK Group is expected to grow by 10-15% in 2011
- We expect positive momentum to recover in H2 2011 with respect to both demand and steel prices
- Overall Russian steel consumption is expected to grow by 10% in 2011, mostly driven by automakers and machinery builders



- Key beneficiary of steel market recovery
- Growing volumes and share of HVA products to secure sustainably high efficiency
- Focus on specialty steel products to replace imports in Russia and to enjoy domestic market price premium
- Access to lucrative Turkish flat steel market with high-quality steel products
- Direct exposure to growing industry sectors in the domestic market – pipe-building, automotive and heavy machinery industries



APPENDICES



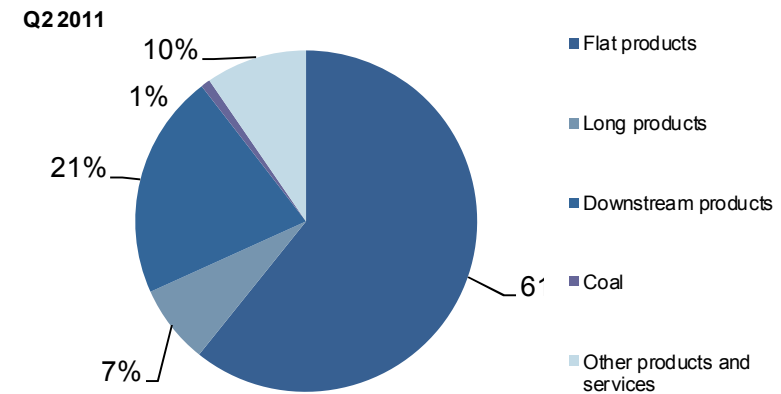
MMK Group Revenue Breakdown



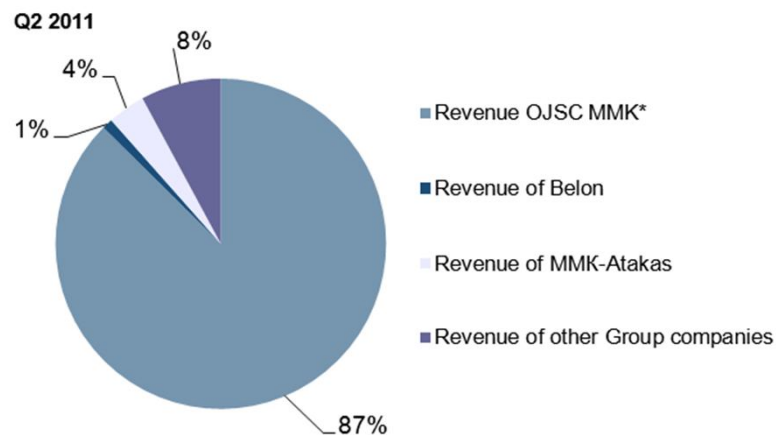
Revenue by type of products, USD mln

	Q2 2011	Q1 2011	+/-	%
Flat products	1 468	1 409	59	4%
Long products	181	166	15	9%
Downstream products	515	459	56	12%
Coal	22	39	-17	-44%
Other products and services	231	143	88	62%
Total revenue	2 417	2 216	201	9%

Revenue by type of products



MMK Group Revenue



MMK Group Revenue , USD mln

	Q2 2011	Q1 2011	+/-	%
Revenue OJSC MMK*	2 113	2 026	87	4,3%
Revenue of Belon	25	38	-13	-34,2%
Revenue of MMK-Atakas**	89	35	54	154,3%
Revenue of other Group companies	190	117	73	62,4%
Total revenue	2 417	2 216	201	9,1%

*MMK and traders, entering Group

**MMK-Atakas and traders, entering Group

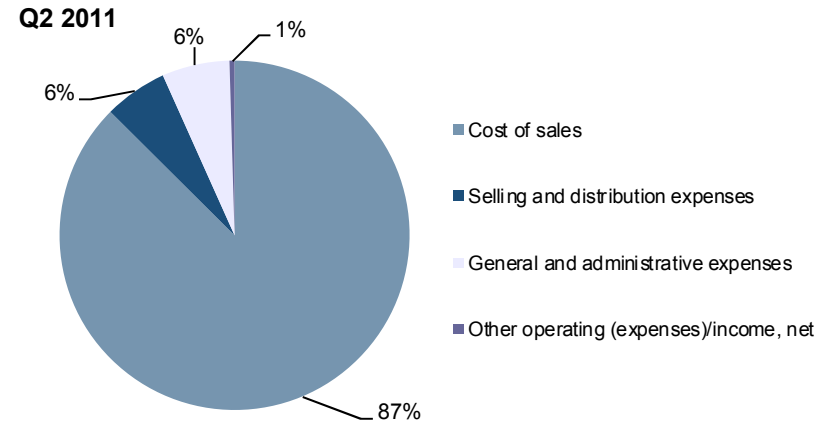
MMK Group Operating Costs and Cost of Sales Structure



MMK Group operational costs, USD mln

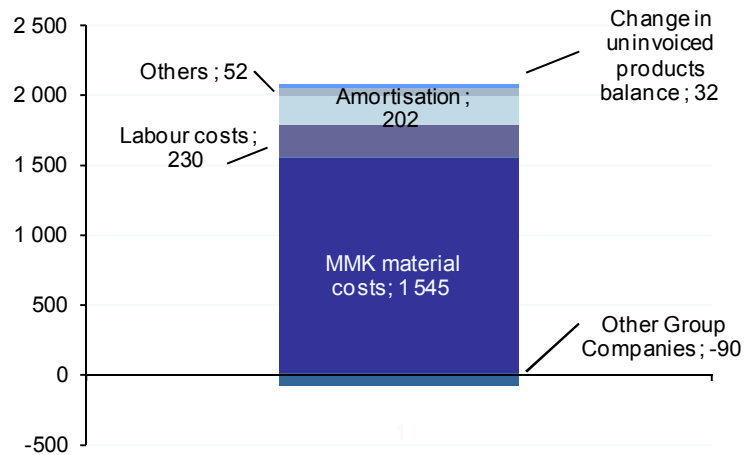
	Q2 11	Q1 11	+/-	%
Cost of sales	1 971	1 775	196	11%
Selling and distribution expenses	132	129	3	2%
General and administrative expenses	140	144	-4	-3%
Other operating (expenses)/income, net	11	13	-2	
Total operating costs	2 254	2 061	193	9%

MMK Group operational costs



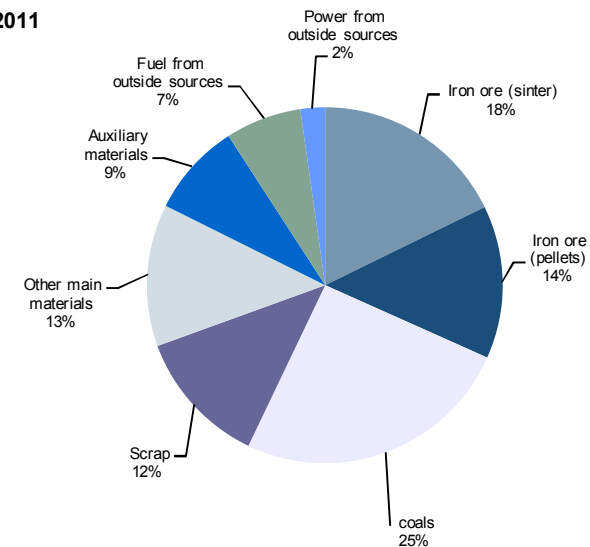
Cost of sales structure

Q2 2011



MMK material costs structure

Q2 2011



Events and Projects Update



MMK

- MMK ranks 23 in rating of World Steel Association according to the 2010 results (05.07.2011)
- MMK successfully passed the compliance audit of the previously certificated hot-rolled production. An audit was conducted by the international certification body - TUV NORD company (07.07.2011)
- MMK announces the results of its RUR 5 bln bonds (series EO-06) placement at MICEX (14.07.2011)
- The consortium of the Russian Institute of Directors and rating agency "Expert RA" raised MMK's corporate governance rating up to 8 (10-point scale) (25.07.2011)
- MMK announces the results of its RUR 5 bln bonds (series EO-07) placement at MICEX (26.07.2011)
- MMK announces its operational results for Q2 and H1 2011 (29.07.2011)

Mill 2000

- MMK launches Mill 2000-first stage of new cold rolling complex (15.07.2011)

Mill 2500

- The Mill 2500 reconstruction is being in process. At present, the main building was assembled and installed, which houses units. Roofing work was completed , the covering of the building is being in process (26.07.2011)

Mill 5000

- MMK confirmed the readiness to produce high-strength cold-resistant rolled products for deliveries within the frame of the pipe range projects in Russia. As a result of hydraulic and pneumatic tests of experimental lots of pipe, specialists from Gazprom, Gazprom VNIIGAZ and other organizations of certifying committee acknowledged that the pipes, made of MMK rolled products of strength class K65 (X80), correspond to technical requirements for gas pipelines Bovanenkovo-Ukhta (18.08.2011)

MMK-Atakas

- MMK announced the launch of the MMK-Atakas continuous hot-dip galvanizing unit in Istanbul (Turkey) (15.07.2011)

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