

**OJSC “Magnitogorsk Iron and Steel Works” (OJSC “MMK”)**

Consolidated financial statements under to IAS for Q1 2010 ending March 31, 2010

**TARGET INVESTMENTS IN EFFECTIVE PRODUCTION AND COAL ASSETS ENABLE MMK TO DEMONSTRATE IMPRESSIVE GROWTH FROM THE BEGINNING OF 2010 ...**

- MMK sales amounted to USD 1,652 mln in Q1 2010
- MMK Group EBITDA amounted to USD 364 mln
- MMK profit for the period amounted to USD 94 mln

**... AND MAINTAIN HIGH PROFITABILITY LEVEL**

- EBITDA margin in Q1 2010 equaled to 22%

**HIGHLIGHTS OF MMK GROUP CONSOLIDATED INCOME STATEMENT (USD million)**

	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>+/-</b>
Sales of MMK Group	1 652	965	687
EBITDA *	364	99	265
<i>EBITDA margin of MMK Group</i>	22%	10%	-
Profit for period of MMK Group	94	-110	204

\* EBITDA calculation is presented in Note 4 to Consolidated Financial Statements for the period ended March 31, 2010

**HIGH EFFICIENCY AS RESULT OF DEVELOPMENT STRATEGY**

- MMK Group sales grew by 71% in Q1 2010 compared to Q1 2009
- EBITDA amounted to USD 364 mln. EBITDA growth in Q1 2010 was exceeding the growth of sales to have increased the Q1 2009 level by 3.7 times

**The results growth is mainly driven by production volumes increase as well as average price increase due to expanding share of HVA (high value-added) products. Such strategy enables to generate the necessary cash-flow and maintain high profitability level**

- MMK generated positive profit for the period in Q1 2010 in the amount of USD 94 mln, which is USD 204 mln higher y-o-y
- EBITDA margin amounted to 22% in Q1 2010, which is 2.2 times higher compared to Q1 2009

**Balance sheet highlights**

Total assets amounted to USD 15 822 mln as of March 31, 2010. PP&E grew by 6,3% by the end of Q1 2010 and amounted to USD 11 981 mln.

The balance sheet is characterized by high level of stability: equity accounts for 66% of total assets as of end of Q1 2010.

**Strong balance sheet ensures stable performance of MMK during recession periods in the steel industry. The debt level of MMK Group is one of the lowest among Russian peers.**

The share of short-term debt in the total debt structure kept on decreasing and equaled 36% by the end of Q1 2010 (vs. 39% at the end of 2009 and 75% at the beginning of 2009).

MMK short-term debt amounted in Q1 2010 to USD 866 mln. This amount includes USD 252 mln of revolving credit facilities of traders within MMK Group. Thereby, net short term debt amounted to USD 614 mln.

Cash outflow to investments into property and equipment grew in Q1 2010 to USD 620 mln (from USD 388 mln in Q4 2009). The CAPEX amount grew in particular due to investments of the parent company – commissioning of Continuous Slab Caster #6 and Secondary steel treatment unit, as well as investments of subsidiaries – development of the MMK-Atakas steel-making complex in Turkey and implementation of Belon investment programme.

## MMK Operational highlights

	Q1 2010	Q1 2009	+/-
<b>Finished products output:</b>	<b>2 453</b>	<b>1 917</b>	<b>28%</b>
Slabs and billets	0	0	-
Long products	210	256	-18%
Flat hot-rolled products	1 509	1 260	20%
<b>High value-added products</b>	<b>734</b>	<b>401</b>	<b>83%</b>
Thick plate (Plate mill 5000)	176	0	-
Flat cold-rolled products	251	188	33%
Downstream products	307	213	44%

- Finished steel production grew by 28% in Q1 2010 y-o-y. The growth is mainly driven by increasing output of HVA products as the result of commissioning of new facilities for production of highly profitable products to meet the demand coming from the domestic market
- HVA goods share went up to 30% in Q1 2010 from 21% in Q1 2009
- MMK average realized price grew by 34% in Q1 2010 y-o-y due to demand recovery and increasing share of HVA products
- MMK continued to increase the volume of domestic shipments, meeting the growing demand from the key steel consuming sectors. Shipments to Russia and CIS accounted for 64% of overall shipments in Q1 2010

In money terms sales to Russia and CIS accounted for 71% of total steel products sales (vs. 66% in Q1 2009). Pipe manufacturers remained major customers of MMK in the domestic market in Q1 2010 with 38% share of MMK overall shipments to the Russian market.

- MMK export revenue originated from different regions of the world. The key export market remained the Middle East (53% of all export shipments in Q1 2010), followed by Europe (22%), North, Central and Latin America (10%), Africa and Asia

## HIGHLIGHTS OF BELON OPERATIONS - MMK GROUP COAL SEGMENT (USD million)

MMK consolidates the financial results of Belon starting from Q4 2009

	Q1 2010	Q4 2009	+/-
Concentrate production:	1 470	987	49%
<i>coking coal concentrate</i>	846	486	74%
<i>steam coal concentrate</i>	624	501	25%
Sales of coal segment	150	94	60%
EBITDA of coal segment	57	8	49
EBITDA margin	38%	9%	
Profit for the period of coal segment	15	-52	67

**Timely acquisition of coal company Belon guarantees increasing volumes of coal concentrate supplies to MMK and contributes significantly to MMK Group financials**

- Belon production volumes in Q1 2010 amounted to 1.47 mln tonnes of coal concentrate, which is 49% higher compared to Q4 2009. Coking coal concentrate production saw the highest increase - 74% q-o-q
- Coal segment sales amounted to USD 150 mln
- EBITDA equaled USD 57 mln, ensuring the margin of 38%
- Profit for the period amounted to USD 15 mln

## **STRONG POTENTIAL AND SUCCESSFUL CRISIS MANAGEMENT EXPERIENCE GUARANTEE MMK EFFICIENCY UNDER ANY SCENARIOS**

- Investments in quality and new products types (with prevailed share of HVA-products) enable MMK to maintain high level of domestic shipments to meet invariably high demand of end-consumers
- The widest products range among Russian peers provides flexibility to promptly react to conjuncture, in particular thanks to modern facilities to produce both flat and long products
- Strong footprint of MMK in export markets and the widest sales geography – more than 60 countries in the world – enable the company to build an optimal export orders book
- MMK continues implementing its MMK-Atakas project in its key export market – Middle East
- MMK enjoys 100% guaranteed supplies of necessary raw materials. MMK is 30% self-sufficient in iron ore, 50% in coking coal, 100% in scrap and 85% in electricity
- Employment of different steel making technologies – converters (using pig iron, i.e. iron ore and coal, mostly) and electric arc furnaces (using scrap mostly) – provides flexibility to control costs depending on price dynamics for different raw materials
- Expansion of Belon business will make it possible to increase self-sufficiency in coking coal and enhance the financial performance of MMK group

\* \* \*

Financial statement under IAS is to be found at: [http://www.mmk.ru/eng/inrelations/b\\_reports/index.wbp](http://www.mmk.ru/eng/inrelations/b_reports/index.wbp)

The presentation is to be found at: <http://www.mmk.ru/eng/inrelations/presentations/index.wbp>

### **About OJSC MMK**

*OJSC MMK is among the world's largest steel producers and is one of the leaders of Russia's steel industry. 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 goods. In 2009 the company produced 9.6 mln tonnes of crude steel and 8.8 mln tonnes of commercial steel products. MMK Group revenue in 2009 stood at USD 5.081 bn, EBITDA at USD 1.285 bn, profit for the period - USD 219 mln.*