

Magnitogorsk Iron & Steel Works (MMK)
announces its IFRS financial statements for Q3 and first 9 months of 2012

HIGHLIGHTS

- MMK Group sales in Q3 2012 was USD 2,319 million, down 8% q-o-q.
- Cost of sales in Q3 2012 was USD 1,911 million, more than 9% down q-o-q.
- MMK Group operating profit for Q3 2012 was USD 147 million, up 55% q-o-q.
- EBITDA in Q3 2012 was USD 398 million, up 8% q-o-q. This was due mainly to EBITDA growth of 7% in the Russian steel segment and more than 5x growth in the coal segment.
- Net profit for Q3 2012 was USD 82 million, compared to a net loss of USD 49 million in Q2 2012.

MMK GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (USD MLN)

	Q3 2012	Q2 2012	%	9M 2012	9M 2011	%
Revenue	2,319	2,516	-7.8%	7,260	7,063	2.8%
Cost of sales	1,911	2,111	-9.5%	6,130	5,769	6.3%
Operating profit	147	95	54.7%	275	412	-33.3%
EBITDA*, of which	398	369	7.9%	1,060	1,133	-6.4%
Steel segment (Russia)	400	373	7.2%	1,040	960	8.3%
Steel segment (Turkey)	- 31	- 8	n/a	- 57	1	n/a
Coal segment	27	5	x5.4	74	176	-58.0%
Consolidation effect	2	- 1	n/a	3	- 4	n/a
EBITDA margin	17.2%	14.7%	+2.5 pp	14.6%	16.0%	-1.4 pp
Profit for the period	82	- 49	n/a	47	- 58	n/a

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

- The 8% q-o-q decline in revenues for Q3 2012 was due to lower prices for products sold in Q3 2012 as a result of unfavourable conditions on world steel markets.
- Cost of sales for Q3 2012 was more than 9% lower q-o-q, and was USD 1,911 million.
- Cost of sales declined at a faster rate than revenues, due to lower prices for key raw materials. As a result, operating profit for Q3 2012 was USD 147 million, up 55% q-o-q.
- Production expenses fell due to favourable prices for key raw materials in Q3 2012. The cash cost of slab in Q3 2012 was USD 385 per ton, down more than 7% q-o-q.
- MMK Group EBITDA in Q3 2012 was USD 398 million. The EBITDA margin was 17.2%, the highest margin reported by the Group since Q1 2011.
- The 8% q-o-q rise in MMK Group's EBITDA in Q3 2012 was driven by higher profitability in the Russian steel segment (up 7%) and a better result from the mining segment. Belon's EBITDA for Q3 2012 increased more than 5x q-o-q due to higher sales of coking coal concentrate (up 29%) following completion of mine maintenance work in Q2 2012.
- Net profit for Q3 2012 was USD 82 million, compared to a net loss of USD 49 million in the second quarter. One-time factors affecting net profit included an FX gain of USD 32 million.
- Net profit for the first 9 months of 2012 was USD 47 million.

BALANCE SHEET AND CASH-FLOW HIGHLIGHTS

- Property, plant & equipment (PP&E) stood at USD 11,829 million at the end of the period, slightly higher than at the end of 2011, despite the launch of new facilities during the period. This was due primarily to the stronger ruble on the reporting date and PP&E revaluation at the new exchange rate.
- Reserves at the end of Q3 2012 were slightly higher q-o-q due to the accumulation of winter reserves of key raw materials.
- MMK Group undertook no major debt market transactions in Q3 2012. Total debt at the end of the quarter was USD 3,883 million. The increase q-o-q is due to the strengthening of the ruble and revaluation of the company's debt at the new exchange rate.
- Total debt/EBITDA (for the previous 12 months) at the end of Q3 2012 was almost unchanged, due to EBITDA growth in the period, despite the increase in debt, and remains at about 3x.
- As of 30 September 2012, cash and cash equivalents stood at USD 221 million (up 13% from the end of Q2 2012) and liquid assets totalled more than USD 600 million.
- Total capital expenditure (capex) during Q3 2012 was USD 156 million. The main investment projects of 2012 the completion of the 2000 Cold Mill Complex, upgrading of the 2500 Hot Mill and the investment programme for Belon.
- Free cash flow for the first 9 months of 2012 was USD 366 million.

MMK GROUP OPERATIONAL HIGHLIGHTS

- Crude steel output in Q3 2012 was 3.4 million tons (up 2% q-o-q).
- Finished steel output in Q3 2012 was 3.07 million tons (up 0.3% q-o-q).
- MMK Group's total output of high value added (HVA) products in Q3 2012 was 1,276 thousand tons (up 6% q-o-q).

(thousand tons)	Q3 2012	Q2 2012	%	9M 2012	9M 2011	%
MMK Group crude steel	3,357	3,294	2%	10,068	9,087	11%
MMK steel	3,187	3,012	6%	9,316	8,899	5%
MMK Metalurji steel	170	282	-40%	752	188	4x
MMK Group finished steel products	3,072	3,062	0.3%	9,154	8,299	10%
MMK finished steel products	2,858	2,776	3%	8,400	8,023	5%
MMK-Metiz finished steel products*	129	142	-9%	380	362	5%
MMK Metalurji finished steel products	211	284	-26%	748	272	2.7x
<i>HVA products, MMK Group (volume)</i>	1,276	1,209	6%	3,668	3,035	21%
<i>HVA products, MMK Group (% of total production)</i>	40%	39%		40%	37%	
Coal concentrate (Belon)	985	761	29%	2,521	2,334	8%
Iron ore	1,021	1,107	-8%	3,176	3,680	-14%

* - including processing of MMK products

MMK steel operations in Russia

- Finished steel products output in Q3 2012 was 2,858 thousand tons, up 3% q-o-q, driven by higher production volumes of long products, flat cold-rolled products and galvanized steel.
- HVA steel products output in Q3 2012 was 1,276 thousand tons, up 6% q-o-q, mainly due to higher shipments of cold-rolled and galvanized products from the Magnitogorsk plant.
- Domestic shipments in 9M 2012 are up 17% y-o-y, due to more stable demand for steel in the domestic market than from export markets. Domestic shipments accounted for 77% of MMK's total shipments during the period.

- MMK's domestic sales are highly diversified. No one client accounts for more than 5% of sales on the domestic market, and the top 10 clients account for about 25% of sales.
- Shipment volumes from Metiz have increased 5% y-o-y in 9M 2012, due to a general recovery in the construction industry in 2012.
- MMK export shipments in 9M 2012 contracted by 22% y-o-y, and stand at 1,967 thousand tons.

MMK steel operations in Turkey

- MMK Metalurji finished products output in 9M 2012 was 748 thousand tons, up 2.7x y-o-y. Production in Q3 2012 totalled 211 thousand tons.
- Revenue from the Turkish steel segment for 9M 2012 was USD 637 million, up 117% y-o-y. Revenue in Q3 2012 was USD 187 million.
- EBITDA for the Turkish steel segment in Q3 2012 was negative, at USD -31 million.
- Due to continued unfavourable market conditions on the Turkish steel market, specifically high prices for scrap metal and low prices for hot-rolled products, in November 2012 MMK halted steel smelting and the hot roll mill for a period of 90 days. MMK believes this action will reduce MMK Metalurji's losses and help it attain profitability.

BELON OPERATIONAL HIGHLIGHTS – MMK GROUP COAL SEGMENT

- Production of coking coal concentrate in 9M 2012 was 2,521 thousand tons, up 8% y-o-y.
- Production of coking coal concentrate in Q3 2012 was 985 thousand tons, up 29% q-o-q. This was due to the completion of mine maintenance work in Q2 2012 and the enterprise starting to operate at near full production capacity.
- Revenue from the coal segment in 9M 2012 was USD 364 million, down 26% y-o-y. This was due to a decline in global coal prices throughout 2012. Revenues from the coal segment in Q3 2012 were USD 128 million.
- EBITDA for the coal segment in Q3 2012 was USD 27 million, up more than 5x q-o-q.
- MMK expects the continuing decline in coking coal prices to have a negative impact on profit in Q4 2012.

MARKET OUTLOOK

MMK expects volumes of finished steel products in Q4 2012 will be affected by the seasonal slowdown in business activity on the domestic market.

At present, world steel prices are close to their lowest level, and MMK does not expect a recovery in prices sooner than early 2013 with the beginning of the construction season and inventory restocking.

However, the Company's efforts to improve its product mix, as well as its strong position on the domestic market and the continued decline in prices for key raw materials should mitigate the negative impact of low steel prices on the Company's financial results.

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MMK management will hold conference call on the financial statements on November 23, 2012, at 4:00 pm Moscow Time (12:00 noon London Time, 7:00 am New York Time).

Conference dial-in number: +7 3519 24 93 05. Password: 1234

A presentation of the results and IFRS financial statements are available online 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 tons of crude steel and 11.2 million tons 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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