

07 June 2013, Magnitogorsk

**Magnitogorsk Iron and Steel Works**  
announces its consolidated IFRS financial statements for Q1 2013

**HIGHLIGHTS**

- MMK Group sales for Q1 2013 amounted to USD 2,283 million, up 10.4% q-o-q.
- Cost of sales in Q1 2013 totalled USD 1,968 million, up 12.4% q-o-q.
- EBITDA for Q1 2013 amounted to USD 256 million, down 13.5% from Q4 2012.
- Net profit for Q1 2013 was USD 19 million, compared to a loss of USD 141 million in Q4 2012.

**MMK GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (USD MLN)**

	<b>Q1 2013</b>	<b>Q4 2012</b>	<b>%</b>	<b>Q1 2013</b>	<b>Q1 2012</b>	<b>%</b>
Revenues	2,283	2,068	10.4%	2,283	2,425	-5.9%
Cost of sales	-1,968	-1,751	12.4%	-1,968	-2,108	-6.6%
EBITDA*, of which	256	296	-13.5%	256	293	-12.6%
<i>Steel segment (Russia)</i>	247	303	-18.5%	247	267	-7.5%
<i>Steel segment (Turkey)</i>	2	-18	-	2	-18	-
<i>Coal segment</i>	6	12	-50.0%	6	42	-85.7%
<i>Consolidation effect</i>	1	-1	-	1	2	-50.0%
EBITDA margin	11.2%	14.3%		11.2%	12.1%	
Profit for the period	19	-141	-	19	14	35.7%

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

- Growth in consolidated revenues of 10.4% in Q1 2013 q-o-q was largely due to growth in MMK Group's production volumes of finished steel products and improvements to the product structure.
- Cost of sales of finished products in Q1 2013 increased by 12.4% q-o-q and amounted to USD 1,968 million.
- The faster rise in cost of sales in Q1 2013 compared to Q4 2012 was driven by price growth for iron ore.
- At present the market is seeing a declining price trend for iron ore, which should reduce the cost of sales in Q2 2013.
- The cash cost of slab in Q1 2013 increased by 6.7% q-o-q and amounted to USD 399/tonne.
- MMK Group's EBITDA for Q1 2013 totalled USD 256 million. The EBITDA margin was 11.2%.
- MMK Metalurji's positive EBITDA in Q1 2013 helped reduce the negative impact on the profitability of MMK Group.
- Profit for Q1 2013 amounted to USD 19 million compared to a loss of USD 141 million in the previous quarter. One-off factors impacting profit during the period included revenues from the sale of MMK Trans (gain of USD 125 million) and impairment of non-current assets by USD 50 million.

## BALANCE SHEET AND CASH-FLOW HIGHLIGHTS

- At the end of Q1 2013 MMK Group's total debt amounted to USD 3,630 million, which is USD 250 million less than at the end of 2012. This stemmed from the repayment of current debt and the ruble's decline against the US dollar, which impacted the value of ruble-denominated debt in the reporting currency.
- The decline in the debt load helped reduce the company's Total debt/EBITDA ratio to 2.75x at the end of Q1 2013.
- As of 31 March 2013 cash and cash equivalents stood at USD 347 million, together with liquid assets amounting to approximately USD 670 million. Together with undrawn credit lines totalling USD 1.2 billion as of 31 March 2013, these funds provide adequate liquidity to service MMK Group's current debt.
- In Q1 2013 capital investments totalled USD 131 million, 14.4% down q-o-q.
- Effective working capital management allowed MMK Group to free up USD 85 million in Q1 2013.
- Despite the difficult situation on the markets for raw materials and steel, MMK Group continues to generate positive cash flow. In Q1 2013 free cash flow totalled USD 44 million.
- MMK Group plans to use its free cash flow to further reduce debt.

## MMK GROUP OPERATIONAL HIGHLIGHTS (THOUSAND TONNES)

- Total crude steel output in Q1 2013 was 3,075 thousand tonnes (up 3.6% q-o-q).
- Finished steel products output for Q1 2013 was 2,844 thousand tonnes (up 3% q-o-q).
- MMK Group's total output of high-value-added (HVA) products in Q1 2013 was 1,355 thousand tonnes (+11.7% q-o-q).

	Q1 2013	Q4 2012	%	Q1 2013	Q1 2012	%
<b>MMK Group crude steel</b>	3,075	2,969	3.6%	3,075	3,417	-10.0%
MMK crude steel	3,075	2,931	4.9%	3,075	3,117	-1.3%
MMK Metalurji crude steel	0	38	-	0	300	-
<b>MMK Group steel products</b>	2,844	2,783	3.0%	2,844	3,011	-5.5%
MMK steel products	2,744	2,629	4.4%	2,744	2,766	-0.8%
MMK-Metiz steel products*	134	114	18.1%	134	110	22.6%
MMK Metalurji steel products*	178	152	17.2%	178	253	-29.6%
<i>MMK Group HVA products</i>	<i>1,355</i>	<i>1,213</i>	<i>11.7%</i>	<i>1,355</i>	<i>1,183</i>	<i>14.5%</i>
<i>MMK Group HVA products share</i>	<i>48%</i>	<i>44%</i>		<i>48%</i>	<i>39%</i>	
<b>Belon coal concentrate</b>	669	803	-16.7%	669	776	-13.8%
<b>Iron ore</b>	871	938	-10.9%	871	1,048	-16.9%

\* - including the processing of MMK products

### MMK steel operations in Russia

- Finished steel products output at MMK totalled 2,744 thousand tonnes in Q1 2013, 4.4% higher q-o-q. This increase is due to higher production volumes for long, thick plate, flat cold-rolled and coated products.
- In Q1 2013 MMK increased its output of HVA products to 1,058 thousand tonnes or 10.6% more than in the previous quarter. This growth came from higher production of thick plate, cold-rolled, galvanized and coated products.

- The share of HVA products in the total volume of finished products sold by MMK reached 39%, which is 3 p.p. higher than in Q4 2012.
- MMK continues to pursue a strategy aimed at meeting domestic demand for high-quality rolled products. In Q1 2013 domestic shipments increased by 9.2% and accounted for more than 80% of all shipments in Q1 2013.
- The recovery of demand from the construction industry made it possible to increase the sales of metal hardware in Q1 2013 by 18.1% compared to Q4 2012.

#### **MMK steel operations in Turkey**

- Production of finished metal products at MMK Metalurji in Q1 2013 amounted to 178 thousand tonnes, 17% higher than Q4 2012.
- Due to a halt in steel smelting in late 2012, only minimum volumes of hot-rolled products were sold in Q1 2013 using inventory stock.
- Revenues from the Turkish steel segment in Q1 2013 amounted to USD 175 million, 24% higher than in Q4 2012.
- Revenues from the Turkish steel segment in Q1 2013 were 18.6% lower than in Q1 2012 due to a substantial reduction in the sale of finished hot-rolled products.
- Due to high rolling capacity utilisation and the sale of large volumes of high-margin finished products, MMK's Turkish steel business reported its first positive EBITDA of USD 2 million in Q1 2013 despite poor market conditions.

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#### **BELON OPERATIONAL HIGHLIGHTS – MMK GROUP COAL SEGMENT**

- Production of coking coal concentrate in Q1 2013 amounted to 669 thousand tonnes, down 16.7% from Q4 2012. This decline was a result of planned maintenance work carried out during the quarter.
- Revenues from the coal business in Q1 2013 totaled USD 88 million, down 16.2% from Q4 2012. This decline was a result of the continuing slide in coal prices on world markets throughout Q1 2013.
- Despite the unfavourable price conditions and lower coking coal concentrate production volumes during Q1 2013, the high quality of more sought-after coal grades produced made it possible to generate a positive EBITDA for Q1 2013 of USD 6 million.

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#### **MARKET OUTLOOK**

In Q2 2013 in light of declining steel prices the Company plans to have flat production volumes as well as the sales volume of finished steel products compared to Q1 2013. This this will be supported by high level of capacity utilisation for the thick plate Mill 5000 and the cold-rolling Mill 2000.

Lower iron ore price indices during Q2 2013 will support MMK Group's financial results.

\* \* \*

MMK management will hold conference call on June 7, 2013, at 3.00 pm Moscow time, 12.00 noon London time, 7.00 am New York time.

The conference call dial-in number is: +7 3519 24 93 05. Password: 1234

A presentation of the financial results and the IFRS financial statements can be found here: [http://eng.mmk.ru/for\\_investor/financial\\_statements/](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 high-value-added products. In 2012 the company produced 13 million tonnes of crude steel and 11.9 million tonnes*

of commercial steel products. MMK Group has sales in 2012 of USD 9,328 million and EBITDA of USD 1,356 million.

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