

## OJSC “MAGNITOGORSK IRON AND STEEL WORKS” (“MMK”)

announces its consolidated financial statements under IFRS for 9M and Q3 2010

### STRONG RESULTS IN 9M AND Q3 2010:

- MMK Group sales amounted to USD 5,775 mln in 9M 2010 which is 70% higher y-o-y;
- Consolidated EBITDA increased by 90% y-o-y to USD 1,199 mln in 9M 2010;
- EBITDA margin in 9M 2010 amounted to 21%;
- 9M 2010 profit for the period amounted to USD 190 mln.

**MMK CFO Oleg Fedonin commented: «We are pleased with the results achieved: they are in line with our expectations and reflect the ability of the company to work efficiently in the challenging market environment».**

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

	9M 2010	9M 2009	+/-	3Q 2010	2Q 2010	+/-
Sales	5,775	3,407	70%	2,055	2,068	-0.6%
EBITDA *	1,199	632	90%	388	437	-11.2%
EBITDA margin	21%	19%	-	19%	21%	-
Profit for period	190	0	-	43	53	-18.9%

\* EBITDA calculation is presented in Notes to Consolidated Financial Statements

- MMK managed to keep sales in Q3 2010 at the levels of Q2 2010 due to the possibility to meet the demand coming from the domestic market, i.a. through mastering of new products types.
- High share of HVA products allowed to keep MMK Q3 2010 average realized price at the high level of USD 632 per ton.
- Slab cash-cost amounted to USD 360 in Q3 2010. The main growth driver – increase of coking coal prices in August 2010 and decrease of coking coal concentrate supplies from Belon due to the one-off factors.
- EBITDA amounted to USD 388 in Q3 2010. EBITDA decreased by 11% q-o-q.
- Despite the cost inflation in Q3 2010 and weak demand in international markets, EBITDA margin remained at high level of 19%.
- Profit for the period amounted to USD 43 mln.
- Since 2008 MMK reports under International Financial Reporting Standards (US GAAP were used previously). This entailed reassessment of fixed assets to their fair value and after the change to IFRS they are accounted for fair value.

#### **Balance sheet highlights**

Total assets as of September 30, 2010 grew by 12.1% as compared to December 31, 2009 and amounted to USD 16,631 mln. PP&E grew by 8.5% by the end of Q3 2010 as compared to the end of 2009 and amounted to USD 12,235 mln.

The balance sheet is characterized by high level of stability: equity accounts for 61% of total assets as of Q3 2010 end.

#### **Strong balance sheet allowed MMK to raise financing at record low rates in the industry in the rouble bonds market for realization of its strategic development projects.**

The debt level of MMK Group is one of the lowest in steel universe. Total debt amounted to USD 3,411 mln as of Q3 2010 end. Cash and cash equivalents including highly liquid assets amounted to USD 1,443 mln.

The share of short-term debt (USD 978 mln as of Sep 30, 2010) in Q3 2010 remained nearly unchanged, its share in the total debt structure kept on decreasing and equaled 29% by the end of Q3 2010 (vs. 39% at the end of 2009 and 75% at the beginning of 2009). This amount includes USD 225 mln of revolving credit facilities of traders within MMK Group. Thereby, net short term debt stands at USD 753 mln.

MMK continues to efficiently manage its working capital: inventory turnover (in days) in Q3 2010 remained at the low level of Q2 2010 and amounted to 50 days.

To invest in property, plant and equipment the company spent USD 548 mln in Q3 2010 (USD 498 mln in Q2 and USD 620 in Q1 2010). Total CAPEX for 9M 2010 amounted to 1,666 mln, exceeding the record level of FY2009 – USD 1,613 mln.

The investments are made to complete construction of MMK-Atakas plant in Turkey and mill 2000 at MMK production site for production of high-quality automotive steel. The projects are a part of MMK strategy to increase the share of HVA products and to replace imports in the markets of Russia and Turkey.

## MMK OPERATIONAL HIGHLIGHTS, '000 TONS

	9M 2010	9M 2009	+/-	Q3 2010	Q2 2010	+/-
<b>Finished products output</b>	<b>7,737</b>	<b>6,437</b>	<b>20.2%</b>	<b>2,661</b>	<b>2,623</b>	<b>1.5%</b>
Slabs and billets	198	2	-	83	115	-27.8%
Long products	749	829	-9.7%	336	203	65.5%
Flat hot-rolled products	4,277	3,903	9.6%	1,371	1,397	-1.9%
<b>High value-added products</b>	<b>2,514</b>	<b>1,704</b>	<b>47.5%</b>	<b>871</b>	<b>908</b>	<b>-4.2%</b>
Thick plate (Plate mill 5000)	649	29	x22	245	228	7.5%
Flat cold-rolled products	834	797	4.6%	277	306	-9.5%
Downstream products	1,030	878	17.3%	349	374	-6.7%

- Finished steel production grew by more than 20% in 9M 2010 y-o-y. The growth is to the greatest extent driven by increased output of HVA products as the result of commissioning of new facilities for output of highly profitable products to meet the demand coming from the domestic market.
- Finished steel production grew by 1.5% in Q3 2010 q-o-q.
- HVA products share in the product mix amounted to 33% in Q3 2010 (27% in FY2009).
- MMK continued to increase the volume of domestic shipments, meeting the growing demand from the main steel consuming industries. Export shipments decreased by 84 th. tons or 9% in Q3 2010 q-o-q, while domestic shipments increased by 123 th. tons or 7% for the same period.
- Shipments to Russia and CIS amounted to 1,835 th. tons, accounting for 69% of overall production.

**In money terms sales to Russia and CIS accounted for 77% of total steel products sales. Pipe manufacturers, machinery-builders and automakers remain major customers of MMK in the domestic market in Q3 2010 accounting for 55% of shipments.**

- MMK export revenue originated mainly from the Middle East and Asia and Far East (44% and 35% of all export shipments in Q3 2010 correspondingly).

## BELON COMPANY OPERATIONAL HIGHLIGHTS - MMK GROUP COAL SEGMENT

	9M 2010	9M 2009 *	+/-	Q3 2010	Q2 2010	+/-
Concentrate production, th. tons:	4,345	3,684	17.9%	1,094	1,608	-32.0%
<i>coking coal concentrate</i>	2,118	1,991	6.4%	525	747	-29.7%
<i>steam coal concentrate</i>	2,127	1,693	25.6%	569	853	-33.3%
Sales of coal segment, USD mln	396	-	-	106	140	-24.3%
EBITDA of coal segment, USD mln	165	-	-	38	70	-45.7%
<i>EBITDA margin</i>	42%	-	-	36%	50%	-
Profit for the period of coal segment, USD mln	31	-	-	-6	22	-

\*-MMK consolidates the financial results of Belon starting from Q4 2009

- Concentrate production in 9M 2010 increased by 18% y-o-y and amounted to 4.3 mln tons.

- In Q3 2010 Belon decreased coal and concentrate production because of intricate geological conditions and technological arrangements to meet safety requirements with simultaneous change of walls. Coal concentrate output amounted to 1.1 mln tons in Q3 2010.
  - MMK consumption of Belon coal concentrate declined from 627 th. tons in Q2 2010 to 543 th. tons in Q3 2010 or by 14%. Recovery of coal production and supplies volumes to MMK is expected in Q4 2010.
  - Coal segment sales amounted to USD 106 mln in Q3 2010.
  - EBITDA equaled USD 38 mln with the margin of 36%.
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MMK management will hold conference call on December 10, 2010 at 2.30 pm Moscow time, 11.30 am London time, 06.30 am New York time.

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

Financial statements under IFRS is available at: [http://www.mmk.ru/eng/invrelations/b\\_reports/index.wbp](http://www.mmk.ru/eng/invrelations/b_reports/index.wbp)

Presentation of the financial results will be available at 12.30 pm Moscow time today at: <http://www.mmk.ru/eng/invrelations/presentations/index.wbp>

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#### **About MMK**

*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 products. MMK realizes MMK-Atakas project in Turkey with annual capacity of 2.3 mln tons of flat steel. 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.*