



MAGNITOGORSK IRON & STEEL WORKS

Q1 2011 IFRS Financial Statements Presentation



Q1 2011 Financials

- ✓ Revenue **USD 2,216 mln** – **15%** growth to Q4 2010
- ✓ Operating profit **USD 155 mln** – **45%** growth to Q4 2010
- ✓ EBITDA **USD 403 mln** – on level with Q4 2010
- ✓ EBITDA margin – **18,2%**

Q1 2011 Key Operational Figures

- ✓ Finished steel output – **2,707 th. tonnes** – **8%** growth to Q4 2010
- ✓ High value added (HVA) products output – **1,080 th. tonnes**
- ✓ Share of HVA products in sales – **39%**
- ✓ Share of domestic sales in revenue – **76%**



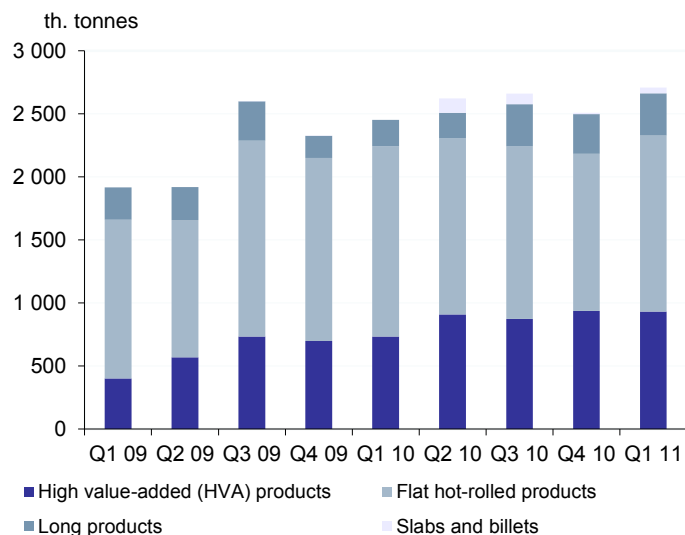
- Largest domestic player with strong direct exposure to growing sectors of Russian economy
- Import substitution strategy with focus on niche HVA products
- Target investments into high-quality assets and high-margin projects
- Growing integration into raw materials and increasing use of captive iron ore and coal sources
- Strict cost control – retaining competitiveness through low cost position and reduction of consumption ratios
- Strong balance to secure further growth

Growth Output Driven by HVA Products



- Finished products output in Q1 2011 rose by 8% q-on-q and amounted to 2.7 mln tonnes
- Main growth drivers are mill 5000 thick plates, h/r steel and long products
- Q1 2011 HVA products share output amounted to 1,080 th. tonnes, which is on level with Q4 2010

Finished products sales



MMK key operational indicators

	Q1 11	Q4 10	+/-
Cast iron	2 471	2 363	4,6%
Crude steel incl.	3 092	2 765	11,8%
EAF steel	641	57	x11,2
BOF steel	2 451	2 708	-9,5%
Finished products output incl.	2 707	2 508	7,9%
Slabs and billets	45	11	-
Long products	335	315	6,2%
Flat hot-rolled products	1 396	1 246	12,0%
High value-added (HVA) products	931	936	-0,5%
<i>Thick plate (Plate Mill 5000)</i>	307	294	4%
<i>Flat cold-rolled products</i>	272	284	-4,2%
<i>Downstream products*</i>	352	358	-1,7%
MMK-Metiz finished products	123	120	2,0%
MMK-Atakas finished products	28	45	-37,8%
Belon coking coal concentrate	766	842	-9,1%

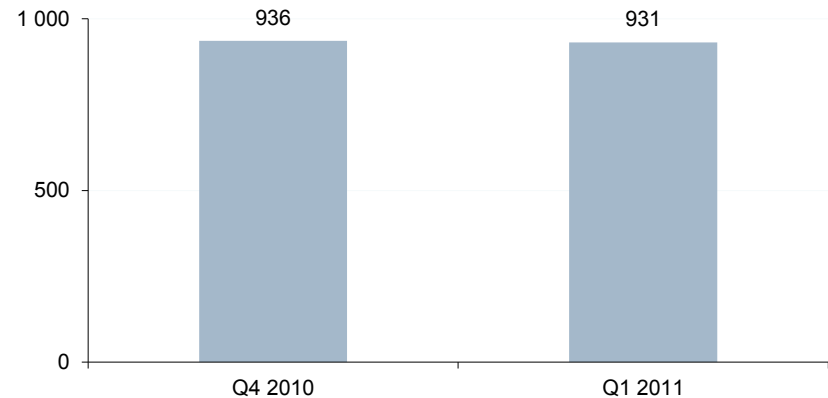
* - galvanized steel products, colour-coated steel products, formed section, band, tin plate, etc.

Strong Exposure to Price Premium Domestic Market

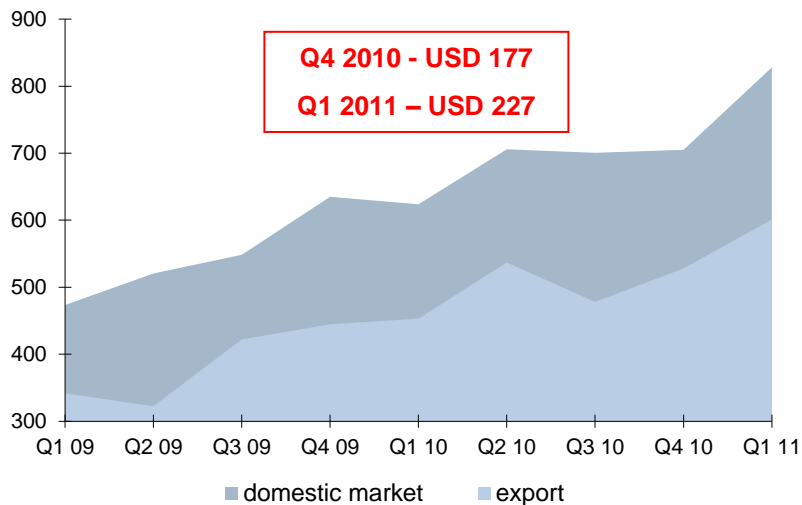


- While retaining presence in key export markets, MMK continues to supply end-customers in Russian and the CIS
- Share of domestic sales was 70%, providing 76% of total revenue
- HVA products satisfy domestic market demand
- Domestic market continues to offer price premium
- Q1 2011 average steel products price per tonne on domestic market was USD 828, on export markets: USD 601

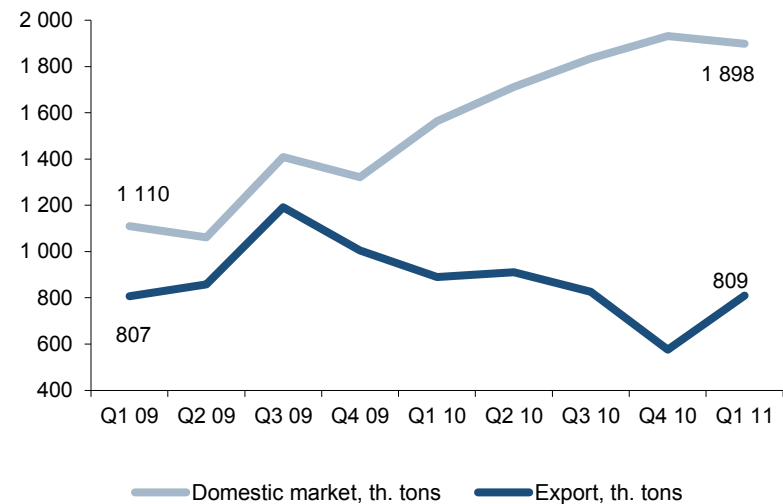
HVA products output growth, th. tonnes



Domestic market price premium, USD



Sales by market, th. tonnes



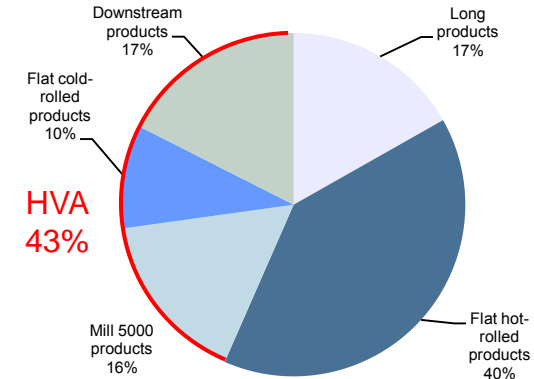
Domestic Sales Structure



- Q1 2011 domestic shipments amounted to 1,898 th. tonnes
- HVA products account for 43% of domestic shipments
- Shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 71% of sales
- MMK's largest clients remain pipe-makers, car manufactures and heavy machinery companies

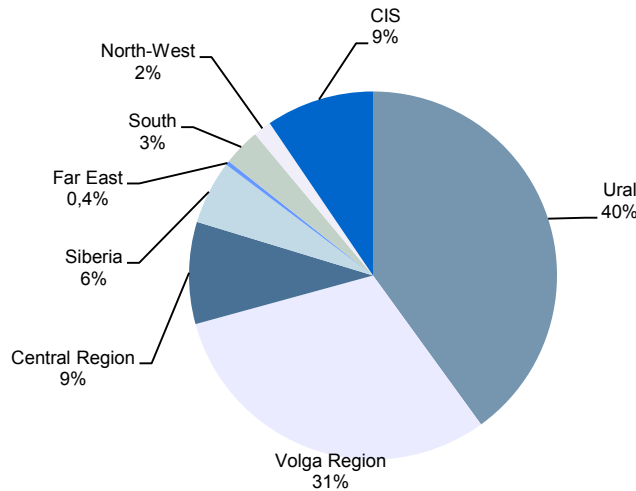
Domestic sales of finished products

Q1 2011



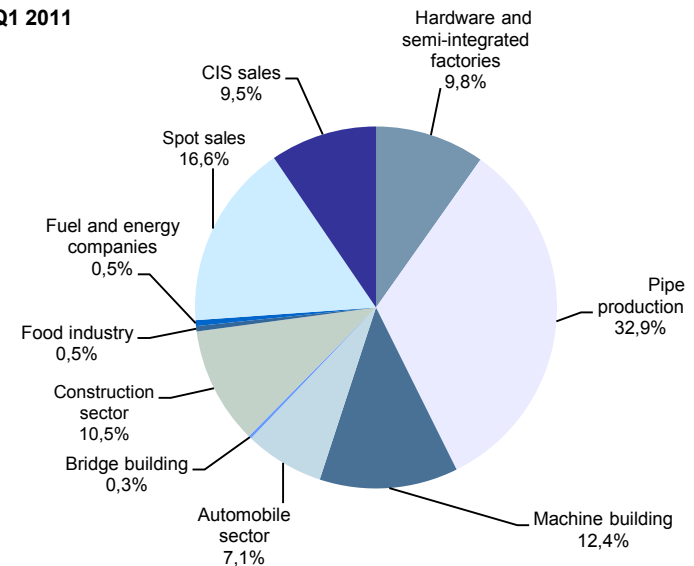
Domestic sales by region

Q1 2011



Domestic sales by industry

Q1 2011



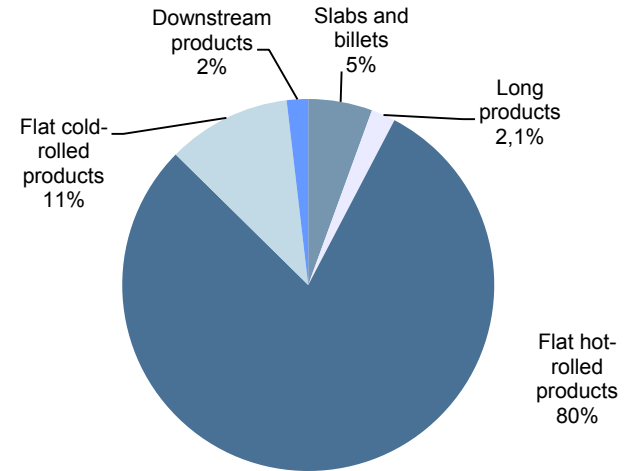
Presence on Key Export Markets



- Q1 2011 MMK export shipments increased by 40% q-o-q and amounted to 809 th. tonnes
- HR steel continues to prevail in the exports structure, accounting for 80% of MMK exports
- Middle East and Europe remain the largest export markets of MMK
- Exports account for 30% of overall shipments in Q1 2011
- Exports accounted for 24% in Q1 2011 revenues

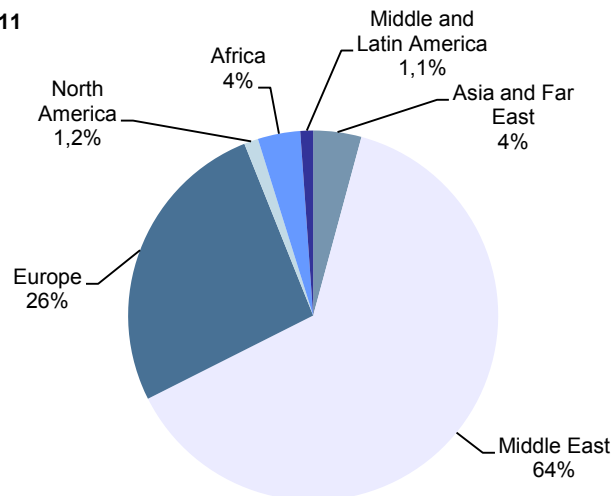
Export shipments by product type

Q1 2011

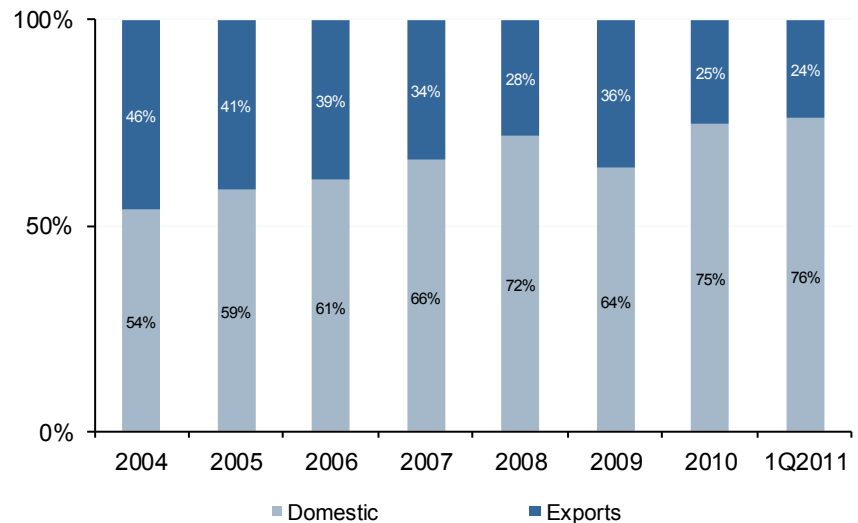


Export shipments by region

Q1 2011



Share of export shipments in revenue





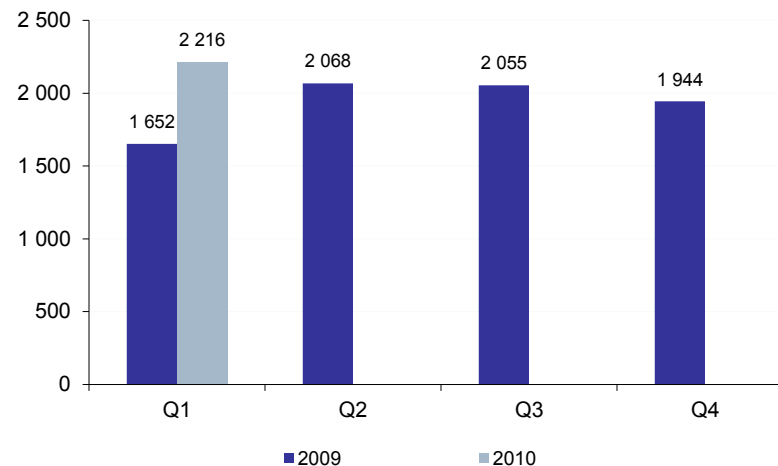
- ✓ MMK Group Q1 2011 revenue equalled **USD 2,216 mln** – **14%** higher q-on-q
- ✓ Q1 2011 operating profit grew at faster pace and totalled **USD 155 mln** – up **45%** q-on-q
- ✓ MMK Group Q1 2011 EBITDA was on level with Q4 2010 and equalled **USD 403 mln**
- ✓ Q1 2011 EBITDA margin – **18.2%**
- ✓ Profit for the period in Q1 2011 has more than tripled q-on-q to **USD 134 mln**

MMK Group Q1 2011 Financial Highlights



- Revenue growth of 14% q-on-q in Q1 2011 was driven by an 8% increase in output at the beginning of 2011 and 14% growth in average prices
- MMK Q1 2011 operating profit increased by 45% q-on-q
- MMK Group Q1 2011 EBITDA remained on the same level as Q4 2010 and was 8% higher compared to Q1 2010
- MMK Q1 2011 profit for the period more than tripled q-on-q

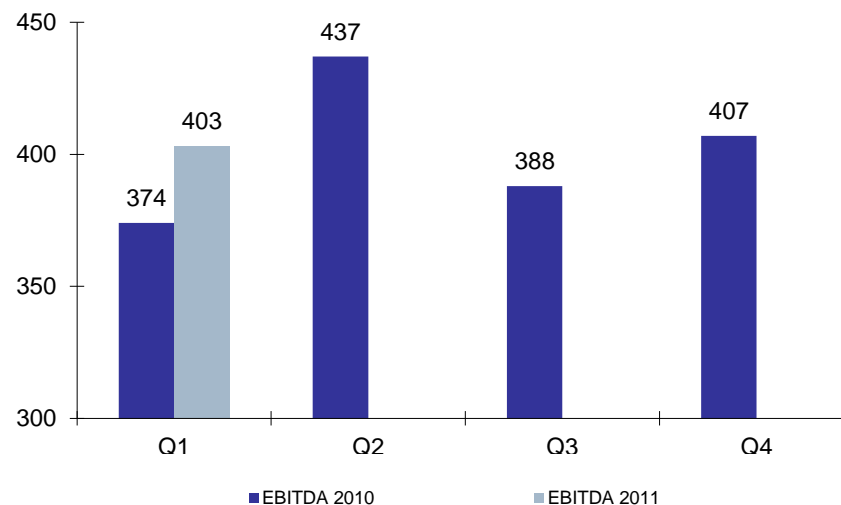
MMK Group revenue, USD mln



MMK Group financial highlights, USD mln

	Q1 11	Q4 10	+/-	%
Revenue	2 216	1 944	272	14%
Operating profit	155	107	48	45%
EBITDA	403	407	-4	-1%
<i>EBITDA margin</i>	18%	21%		
Profit for the period	134	42	92	219%

MMK Group EBITDA, USD mln

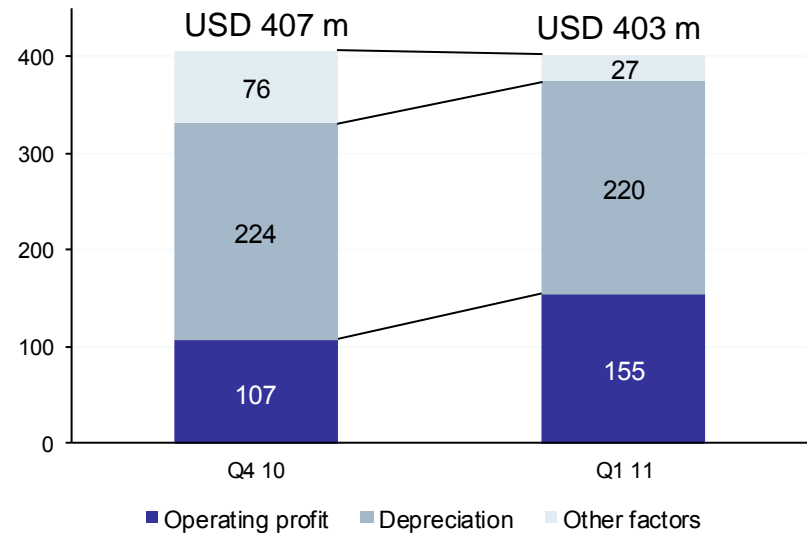


MMK Key Performance Indicators Analysis

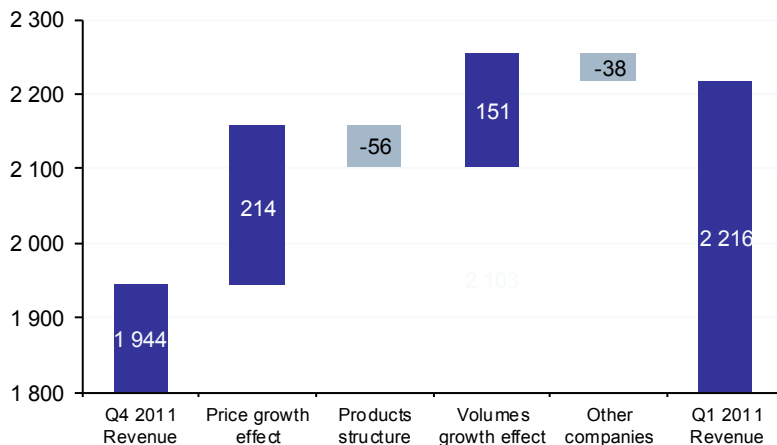


- Q1 2011 revenue increased by USD 272 mln q-on-q due to higher average prices and output volumes during the beginning of the year on growing export demand as well as stable domestic demand, despite the seasonal factors
- High demand from domestic and export markets pushed the average price up from USD 664 per tonne in Q4 2010 to USD 760 in Q1 2011
- Q1 2011 cash-cost of slab increased due to growing raw materials prices and higher tariffs of natural monopolies

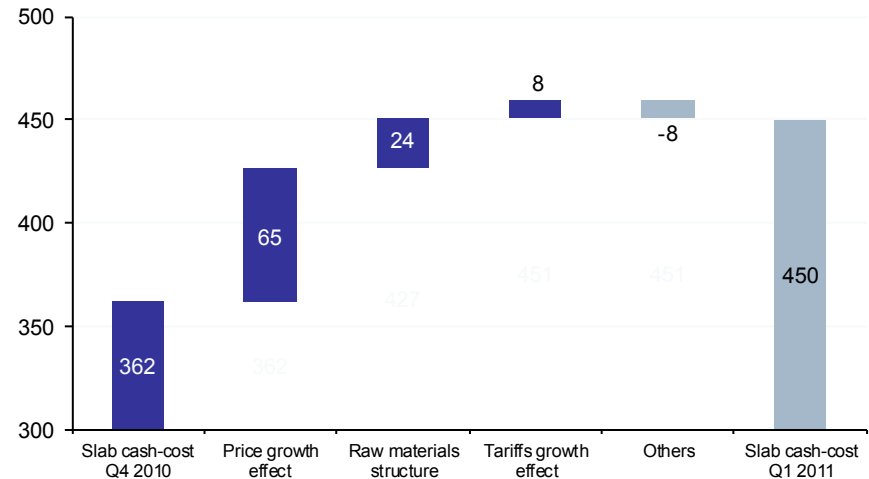
MMK Group EBITDA structure, USD mln



Q4 2010 revenue analysis, USD mln



Cash-cost of slab evolution, USD





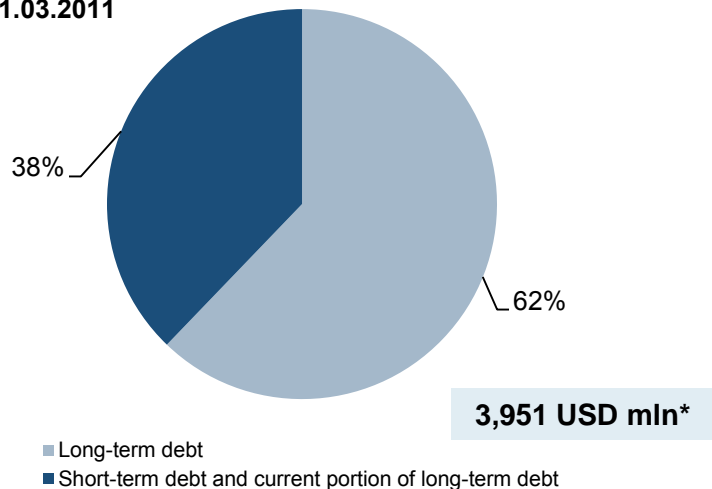
- MMK total assets stood at **USD 18,082 mln** as of March 31, 2011 – 8.0% growth to December 31, 2010
- Property, Plant & Equipment increased by 8.4% during Q1 2011 and amounted to **USD 13,249 mln** at the end of the period
- The balance sheet remains characteristically stable: equity accounted for **61%** of total assets at the end of Q1 2011
- MMK has one of the lowest levels of debt among Russian peers. By the end of Q1 2011 total debt equalled to **USD 3,951 mln**
- Highly liquid assets stood at **USD 1,650 mln**

MMK Financial Strength

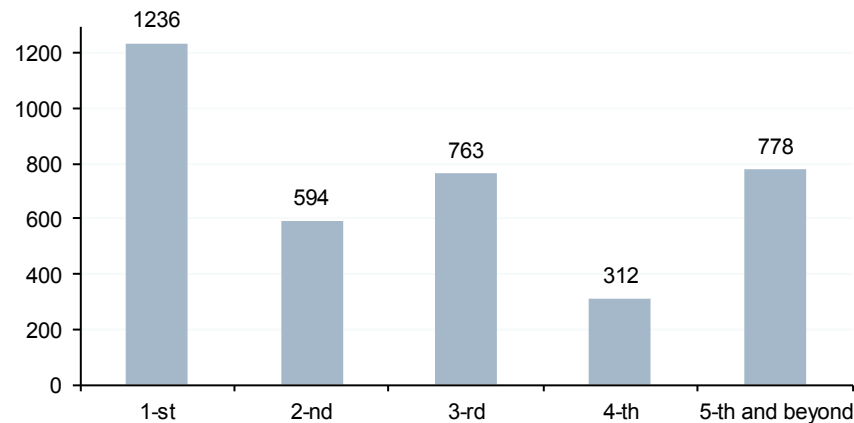


Debt structure breakdown by maturity profile

31.03.2011

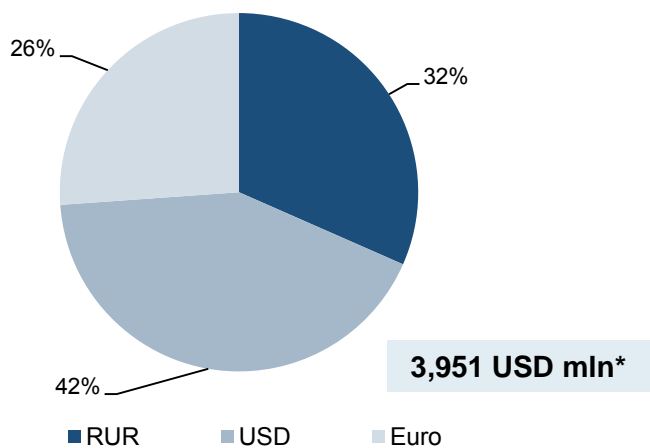


Debt maturity profile, USD mln

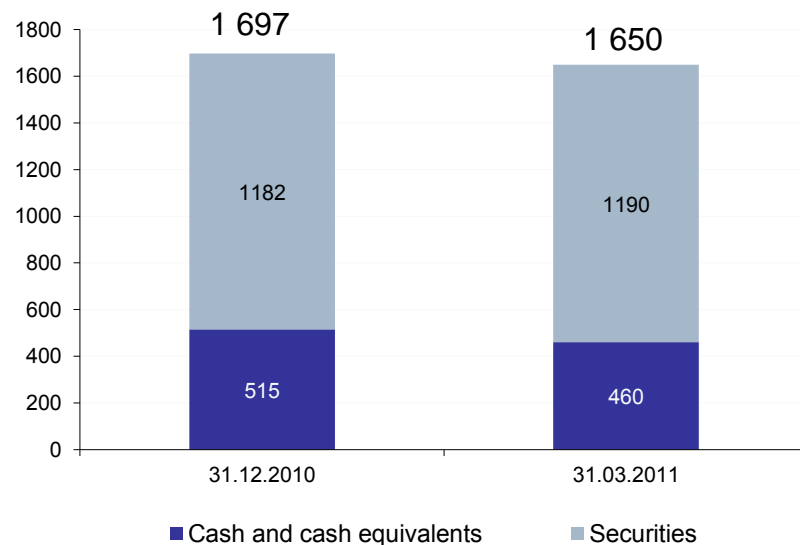


Debt structure by currency

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MMK Group liquid assets, USD mln

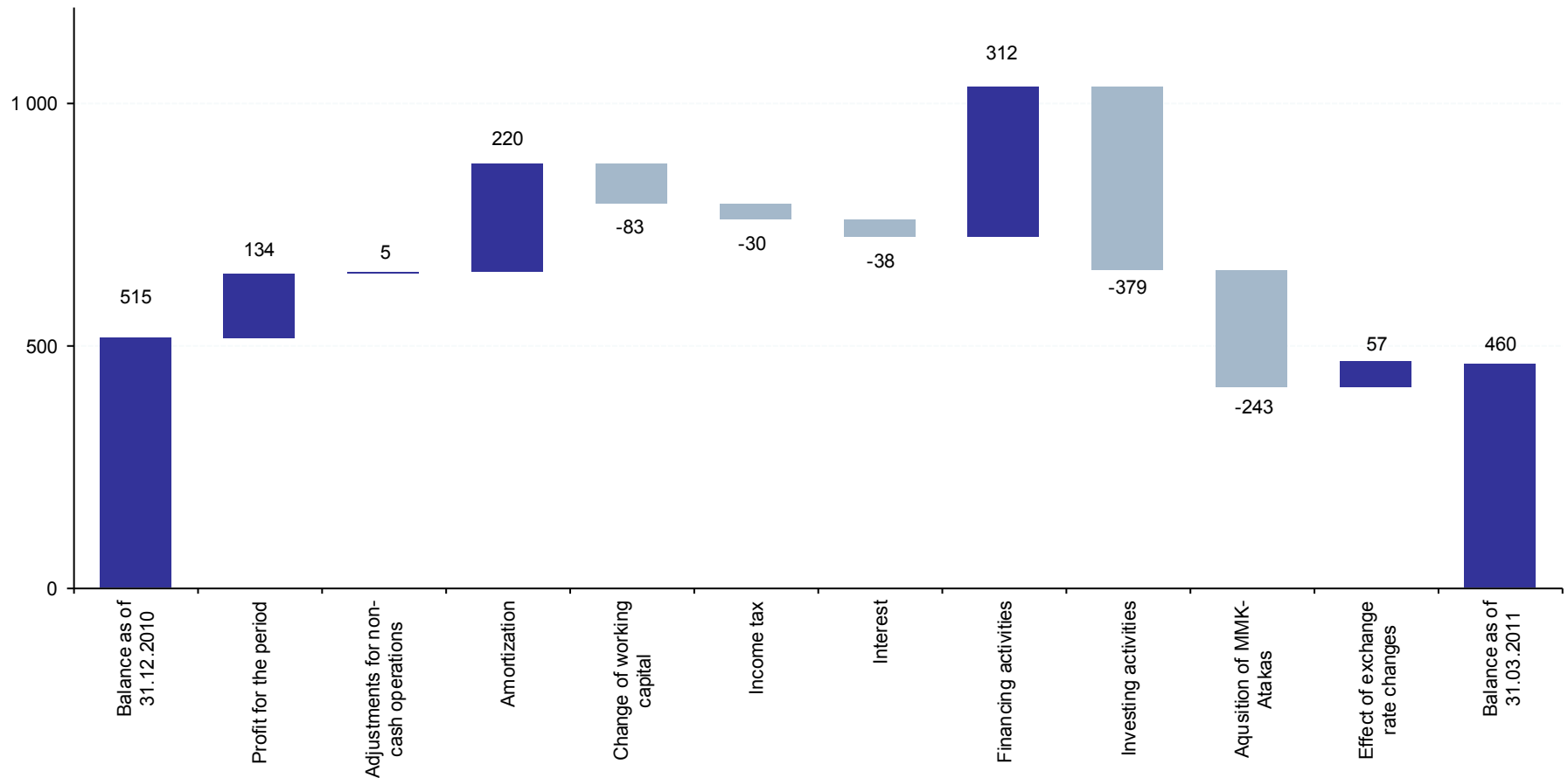


* Lease incl.

MMK Cash Flow, USD mln



- The peak period of investments passed in 2010, and capex in Q1 2011 amounted to USD 381 mln, 30% lower than USD 543 mln in Q4 2010
- Investment activities are financed with long-term borrowings
- MMK demonstrates efficient working capital management





- In Q2 2011 MMK operated at 80-85% capacity utilization rate
- 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 pipe-makers and machinery builders and to some extent by the construction sector
- Steel products output for MMK Group is expected to grow by 10-15% in 2011



- 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
- Strong balance sheet to secure further growth
- Plans for further strengthening in commodities



APPENDICES

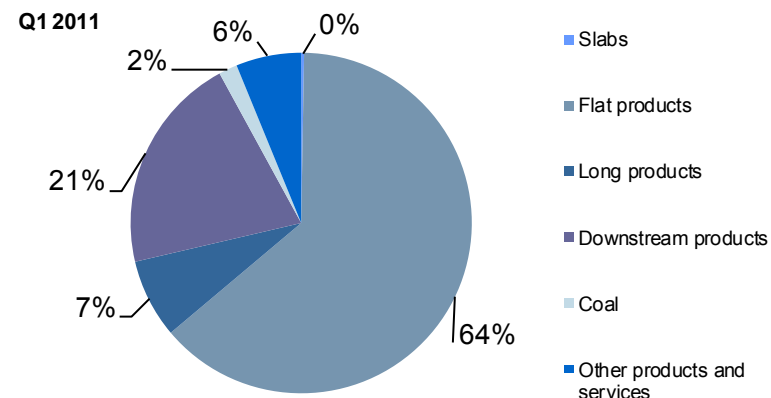
MMK Group Revenue Breakdown



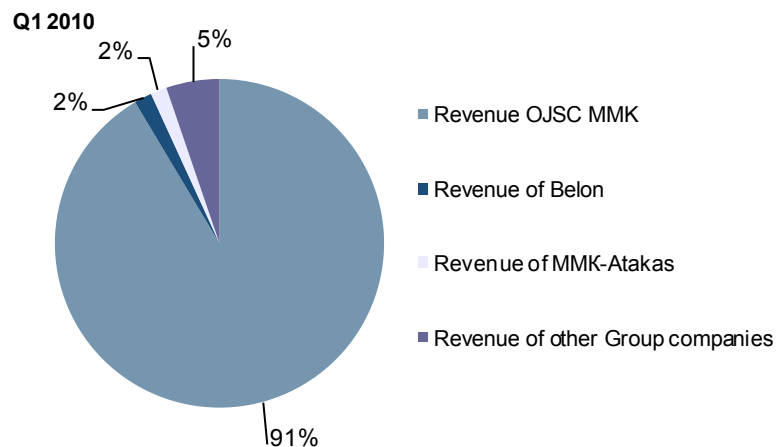
Revenue by type of products, USD mln

	Q1 2011	Q4 2010	+/-	%
Slabs	6	4	2	50%
Flat products	1 409	1 219	190	16%
Long products	166	159	7	4%
Downstream products	459	398	61	15%
Coal	39	54	-15	-28%
Other products and services	137	110	27	25%
Total revenue	2 216	1 944	272	14%

Revenue by type of products



MMK Group Revenue



MMK Group Revenue , USD mln

	Q1 2011	Q4 2010	+/-	%
Revenue OJSC MMK	2 026	1 768	258	14,6%
Revenue of Belon	38	45	-7	-16,4%
Revenue of MMK-Atakas	35	34	1	2,8%
Revenue of other Group companies	117	96	20	21,3%
Total revenue	2 216	1 944	272	14,0%

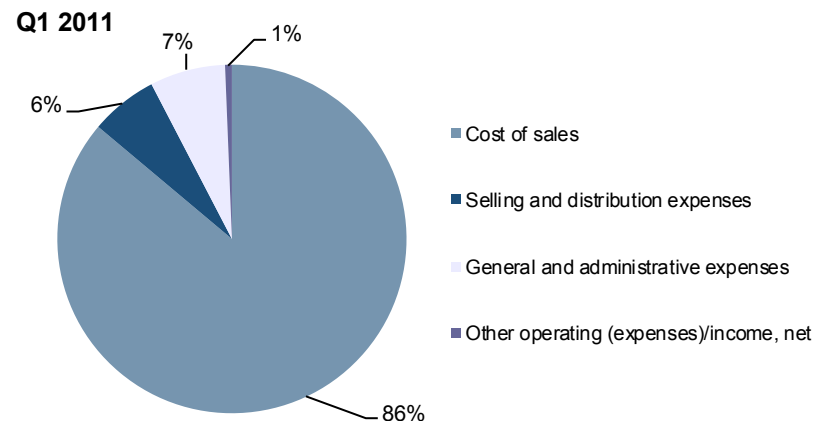
MMK Group Operating Costs and Cost of Sales Structure



MMK Group operational costs , USD mln

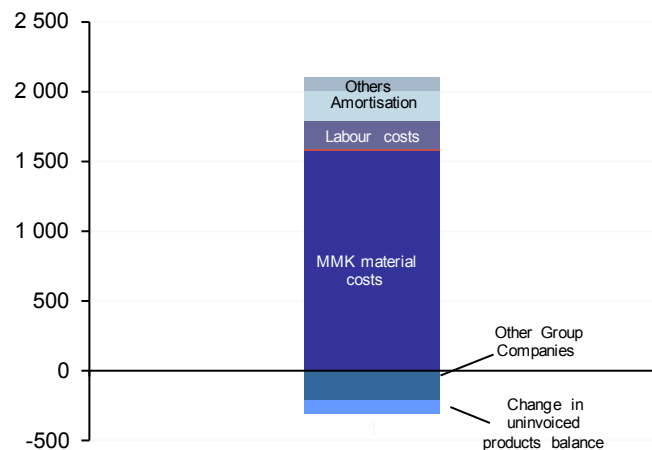
	Q1 11	Q4 10	+/-	%
Cost of sales	1 775	1 592	183	11%
Selling and distribution expenses	129	116	13	11%
General and administrative expenses	144	135	9	7%
Other operating (expenses)/income, net	13	-6	19	
Total operating costs	2 061	1 837	224	12%

MMK Group operational costs



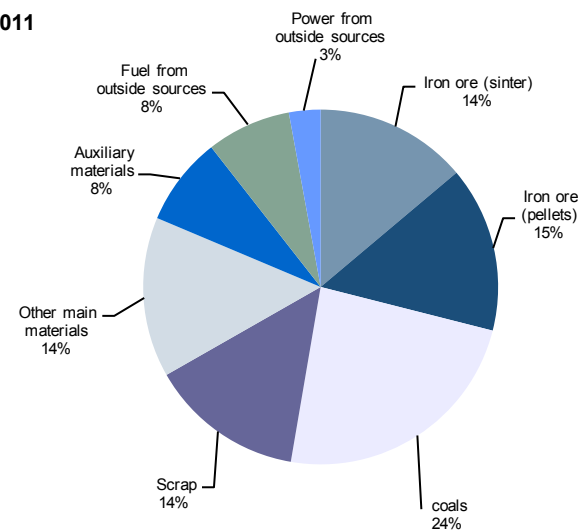
Cost of sales structure

Q1 2011



MMK material costs structure

Q1 2011





MMK

- Intercos-IV, part of the MMK Group, began working on the 1st phase of the 2nd stage of the MMK-Intercos service center and stamped components plant in St. Petersburg (11.04.2011)
- MMK Group announced operational trading update for Q1 2011 (20.04.2011)
- Chelpipe (ChTPZ) and MMK are creating their joint rolling stock to ensure timely deliveries of steel plate from MMK's Mill 5000 to ChTPZ's Vysota 239 production unit (26.04.2011)
- Fitch Ratings upgraded MMK credit ratings. Long-term IDR rating was upgraded to 'BB+' from 'BB' with stable outlook; national long-term rating was upgraded to 'AA (rus)' from 'AA- (rus)' with stable outlook (19.05.2011)
- The Annual General Shareholder Meeting of MMK was held in Magnitogorsk (20.05.2011)
- MMK' hot-rolled galvanized steel accepted by Renault
- MMK reported that the company has won an auction held on 21 of June 2011 where the bidders contended for the right to explore and extract iron ore deposits of Kulmyakovsky field in Chelyabinsk region. As a result, MMK obtained the right to work at the site for 25 years (21.06.2011)

Mill 2000

- MMK carried out the tests on the first stage of its Mill 2000 (complex for the production of cold rolled steel including continuous pickling line connected with tandem mill) (02.06.2011)

MMK-Atakas

- MMK-Atakas produced first 3,000 tons of hot-rolled plate at the plant in Iskenderun. MMK-Atakas launched color coating line in Istanbul (19.05.2011)

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