20 June 2014

Magnitogorsk Iron and Steel Works
announces its consolidated IFRS financial statements for Q1 2014

HIGHLIGHTS

- MMK Group’s revenue for Q1 2014 totalled USD 1,879 million, up 0.5% q-o-q. This growth was mainly due to increased sales volumes in Q1 2014 compared to the previous quarter.
- Cost of sales in Q1 2014 amounted to USD 1,529 million, down 0.5% q-o-q. This decrease was primarily due to a decline in depreciation level as the result of an impairment of fixed assets in 2013.
- EBITDA for Q1 2014 was USD 294 million, down 6% q-o-q.
- Decline in the key raw materials prices and effective cost management allowed to decrease the cash cost of slab by more than 5% q-o-q to USD 337 per tonne.
- MMK Group’s net debt as of the end of Q1 2014 decreased by USD 124 million as compared to the end of 2013 to USD 2,902 million. The Group’s net debt/EBITDA ratio remains at the acceptable level of x2.55.
- MMK Group’s free cash flow (FCF) in Q1 2014 amounted to USD 33 million.

<table>
<thead>
<tr>
<th>MMK GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (USD MLN)</th>
<th>Q1 2014</th>
<th>Q4 2013</th>
<th>%</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,879</td>
<td>1,869</td>
<td>0.5%</td>
<td>1,879</td>
<td>2,283</td>
<td>-17.7%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-1,529</td>
<td>-1,537</td>
<td>-0.5%</td>
<td>-1,529</td>
<td>-1,968</td>
<td>-22.3%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>78</td>
<td>35</td>
<td>122.9%</td>
<td>78</td>
<td>126</td>
<td>-38.1%</td>
</tr>
<tr>
<td>EBITDA*, of which</td>
<td>294</td>
<td>312</td>
<td>-5.8%</td>
<td>294</td>
<td>381**</td>
<td>-22.8%</td>
</tr>
<tr>
<td>Steel segment</td>
<td>267</td>
<td>293</td>
<td>-8.9%</td>
<td>267</td>
<td>247</td>
<td>8.1%</td>
</tr>
<tr>
<td>Steel segment (Turkey)</td>
<td>13</td>
<td>14</td>
<td>-7.1%</td>
<td>13</td>
<td>2</td>
<td>x6.5</td>
</tr>
<tr>
<td>Coal segment</td>
<td>15</td>
<td>4</td>
<td>x3.75</td>
<td>15</td>
<td>6</td>
<td>150.0%</td>
</tr>
<tr>
<td>Consolidation effect</td>
<td>-1</td>
<td>1</td>
<td>n/a</td>
<td>-1</td>
<td>126</td>
<td>n/a</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>15.6%</td>
<td>16.7%</td>
<td></td>
<td>15.6%</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td>Loss/profit for the period</td>
<td>-79</td>
<td>-2,155</td>
<td>n/a</td>
<td>-79</td>
<td>19</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* - EBITDA calculation is presented in the Notes to MMK Group’s Consolidated Financial Statements
** - Including the effect of MMK-Trans sale of USD 125 million

- Slight increase of revenue in Q1 2014 by 0.5% q-o-q was driven by increased sales volumes from Magnitogorsk (up 8.6% q-o-q) amid decline in the average sales price.
- In Q1 2014 cost of sales amounted to USD 1,529 million, down 0.5% q-o-q. It was primarily affected by a decline in depreciation level as the result of an impairment of fixed assets in 2013.
- Operating profit in Q1 2014 amounted to USD 78 million, up 2.2 times q-o-q.
The increase in operating profit was due to SG&A costs, which decreased by USD 44 million, or 12.4% in Q1 2014.

MMK Group’s EBITDA for Q1 2014 was USD 294 million (down 5.8% q-o-q), while the Group’s EBITDA margin came in at 15.6%. The decrease in EBITDA was due to a decline in steel prices in dollar terms on the domestic market due to the rouble devaluation effect. Domestic prices recovery to the export parity level has started in March and the key effect of such growth will be demonstrated in Q2 2014.

MMK Group’s EBITDA for Q1 2014 decreased by 22.8% y-o-y. This decrease was due to the one-off effect in Q1 2013 of USD 125 million from the sale of MMK-Trans. Excluding this effect, Q1 2013 EBITDA would have amounted to USD 256 million, in which case EBITDA growth in Q1 2014 would have been 14.8% y-o-y.

The net loss of USD 79 million for Q1 2014 was primarily due to an exchange loss of USD 118 million. Excluding this factor, the profit for Q1 2014 would have been USD 39 million.

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**BALANCE SHEET AND CASH-FLOW HIGHLIGHTS**

**Fixed assets**

- Fixed assets on the Group’s balance sheet as of 31 March 2014 were valued at USD 7,856 million, down 8.8% from 31 December 2013.
- This decline was primarily due to the rouble devaluation during Q1 2014 and revaluation of fixed assets at the end of the period based on the updated exchange rate.

**Debt load**

- At the end of Q1 2014 MMK Group’s net debt (including short-term deposit of USD 129 million) was USD 2,902 million, down by USD 124 million from the end of 2013.
- Total debt of MMK Group at the end of Q1 2014 remained almost unchanged from the end of 2013 and amounted to USD 3,178 million.
- Short-term debt and the current portion of long-term debt of MMK Group as of the end of Q1 2014 amounted to USD 1,012 million, which is fully covered by liquid financial assets at the company’s disposal.
- Thus, as of 31 March 2014, MMK Group had cash and cash equivalents of USD 147 million, short-term financial investments of USD 139 million (including short-term deposits of USD 129 million) and liquid securities (a stake in Fortescue Metals Group) of USD 756 million.
- These financial assets are supplemented by undrawn (as of 31 March 2014) bank credit lines of approximately USD 1.7 billion, making MMK Group’s financial position more comfortable.

**Capital expenditure and cash flow**

- In Q1 2014 investment in fixed assets amounted to USD 131 million, down 51.5% q-o-q. This decline was due to both an overall decrease of planned capital expenditure for 2014 as well as early commissioning of blast furnace №6 in December 2013, and recognition of these investments as capital expenditure for Q4 2013.
- MMK Group’s depreciation for Q1 2014 was USD 184 million, down 24.6% q-o-q. This decline was due to an impairment of fixed assets in the amount of USD 1,995 million taken in 2013.
- Cash outflow for working capital financing was related to the growth of receivables as compared to the end of 2013 due to a significant (+8.6%) increase of sales volumes from Magnitogorsk in Q1 2014.
- Notwithstanding cash outflow for working capital financing in Q1 2014, good operational results and decreased capital expenditure allowed MMK Group to achieve a positive free cash flow of USD 33 million in Q1 2014, up 17.9% q-o-q.
MMK GROUP HIGHLIGHTS BY SEGMENT

Steel segment
- Total revenue of the steel segment in Q1 2014 amounted to USD 1,774 million, up 2.5% q-o-q. This growth was due to increased sales volumes by OJSC MMK (+8.6%) and MMK-Metiz (+2.6%).
- EBITDA for Q1 2014 was USD 267 million with an EBTIDA margin of 15.1%. Decrease of EBITDA by 8.9% q-o-q was due to a decline in steel prices in dollar terms on the domestic market as a result of the rouble devaluation. The domestic prices have started to grow to the export parity level in March 2014, though this growth has not significantly influenced the segment’s financial results in Q1 2014.

Steel segment (Turkey)
- Total revenue of MMK Metalurji for Q1 2014 was USD 134 million, down by USD 34 million q-o-q. The decrease was primarily due to a decline in sales volumes in Q1 2014 by 14.9% q-o-q.
- EBITDA of MMK Metalurji for Q1 2014 was USD 13 million, down by just USD 1 million q-o-q.
- EBITDA margin for Q1 2014 was 9.7%.
- Utilisation of MMK Metalurji’s production capacities is expected to remain at near-maximum capacity in 2014.

Coal segment
- Total revenue of coal segment for Q1 2014 was USD 69 million. The decrease q-o-q was driven by lower prices for coking coal on the domestic market, as well as the effect of rouble devaluation at the beginning of the year.
- EBITDA for Q1 2014 was USD 15 million, up by 3.5 times q-o-q. Such growth was due to the improving coal quality and increase in coal concentrate output.

MARKET OUTLOOK
In Q2 2014 the Group expects increased production and sales volumes as compared to the previous quarter amid growth of domestic steel prices. In addition, declining global iron ore prices will support MMK Group’s financial results for Q2 2014.

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MMK management will hold a conference call on 20 June 2014 at 4.00 pm Moscow time (1.00 pm London time, 8.00 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 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 high-value-added products. In 2013 the company produced 11.9 million tonnes of crude steel and 11 million tonnes of commercial steel products. MMK Group had sales in 2013 of USD 8,190 million and EBITDA of USD 1,223 million.
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