



Magnitogorsk Iron and Steel Works

January 27, 2012

MMK trading update for Q4 and FY 2011

MMK Group¹ operating highlights

Production, thousand tonnes						
	FY 2011	FY 2010	%	Q4 2011	Q3 2011	%
MMK Group crude steel	12,195	11,419	7%	3,109	3,182	-2%
MMK	11,724	11,419	3%	2,826	3,015	-6%
MMK Metalurji ²	471	-	-	283	167	69%
MMK Group steel products	11,158	10,409	7%	2,859	2,951	-3%
MMK	10,646	10,245	4%	2,623	2,789	-6%
MMK-Metiz ³	465	450	3%	103	126	-18%
MMK-Metalurji	505	156	224%	233	160	46%
<i>HVA products, MMK Group (volume)</i>	4,066	3,968	2%	1,028	990	4%
<i>HVA products, MMK Group (% of total production)</i>	36%	38%		36%	34%	
Belon coal concentrate	3,216	2,960	9%	882	849	4%
Iron ore	4,825	4,680	3%	1,145	1,224	-6%

- MMK Group's total crude steel output in 2011 was 12,195 thousand tonnes (+7% y-o-y)
- MMK Group's total finished steel products output in 2011 was 11,158 thousand tonnes (+7% y-o-y)
- MMK's total crude steel output in 2011 was 11,724 thousand tonnes (+3% y-o-y). MMK produced 2,826 thousand tonnes of crude steel in Q4 2011.
- MMK's total finished steel products output in 2011 was 10,646 thousand tonnes (+4% y-o-y). MMK produced 2,623 thousand tonnes of finished steel products in Q4 2011.
- MMK-Metiz's total finished steel products output in 2011 was 465 thousand tonnes (+3% y-o-y). MMK-Metiz produced 103 thousand tonnes of finished steel products in Q4 2011.
- MMK-Metalurji's total finished steel products output in 2011 was 505 thousand tonnes, a increase of 3.2x y-o-y. MMK-Metalurji produced 233 thousand tonnes of finished steel products in Q4 2011 (+46% q-o-q).
- MMK Group's total output of high value-added (HVA) products increased 2% y-o-y in 2011 to 4,066 th tonnes.
- Production of coking coal concentrate in 2011 was 3,216 thousand tonnes (+9% y-o-y). Production of coking coal concentrate in Q4 2011 was 882 thousand tonnes (+4% q-o-q).
- Consumption of own iron ore was 4,825 thousand tonnes (+3% y-o-y).

1- MMK Group includes MMK and its subsidiaries.

2- Formerly MMK-Atakash, renamed following the acquisition of 50% minus one share from the Atakash family

3 - Including MMK output

Steel segment

MMK

Production, thousand tonnes						
Production	FY 2011	FY 2010	%	Q4 2011	Q3 2011	%
Cast iron	9,496	9,234	3%	2,277	2,440	-7%
Crude steel	11,724	11,419	3%	2,826	3,015	-6%
Finished products, of which:	10,646	10,245	4%	2,623	2,789	-6%
Slabs and billets	157	209	-25%	102	0	-
Long products	1,499	1,065	41%	372	479	-22%
Flat hot-rolled products	5,708	5,524	3%	1,343	1,546	-13%
HVA products, of which:	3,283	3,448	-5%	807	764	6%
Thick plate (mill 5000)	899	943	-5%	171	178	-4%
Flat cold-rolled products	1,027	1,116	-9%	302	245	23%
Downstream products, of which:	1,357	1,388	-2%	334	341	-2%
<i>Tin plate</i>	134	208	-36%	29	28	1%
<i>Galvanised steel</i>	493	597	-17%	129	113	14%
<i>Colour-coated steel</i>	255	203	25%	59	80	-26%
<i>Band</i>	98	116	-16%	27	21	30%
<i>Formed section</i>	259	187	38%	56	61	-9%
<i>Pipes</i>	49	75	-35%	10	13	-23%
<i>Structural steel</i> MMK Profile Moscow	69	-	-	24	24	2%
Shipments by market						
Domestic*	7,181	7,044	2%	1,673	1,943	-14%
Export	3,465	3,201	8%	950	846	12%
Average prices, finished products (USD)						
	FY 2011	FY 2010	%	Q4 2011	Q3 2011	%
Average price per ton:						
Slabs and billets	524	452	16%	483	-	-
Long products	687	595	15%	654	699	-6%
Flat hot-rolled products	653	535	22%	610	655	-7%
HVA products, of which:	981	793	24%	905	1,011	-11%
Thick plate (mill 5000)	1,061	869	22%	888	1,021	-13%
Flat cold-rolled products	787	621	27%	761	805	-5%
Downstream products, of which:	1,074	882	22%	1,043	1,155	-10%
<i>Tin plate</i>	1,134	960	18%	1,079	1,197	-10%
<i>Galvanised steel</i>	1,028	841	22%	1,022	1,099	-7%
<i>Colour-coated steel</i>	1,273	1,190	7%	1,229	1,357	-9%
<i>Band</i>	1,008	778	30%	930	1,022	-9%
<i>Formed section</i>	970	735	32%	934	1,005	-7%
<i>Pipes</i>	845	671	26%	789	877	-10%
<i>Structural steel</i> MMK Profile Moscow	1,247	955	31%	1,295	1,348	-4%
Average price per ton, of which:	757	627	21%	702	760	-8%
Domestic*	836	686	22%	783	829	-6%
Export	593	497	19%	558	601	-7%

*including CIS

- 2011 finished steel products output was 10,646 thousand tonnes (+4% y-o-y). Sales to the higher priority domestic market increased by 2% and their share amounted to 67% of total shipments in 2011.
- Production of finished slab in 2011 declined by 25% y-o-y to 157 thousand tonnes.
- Long product shipments grew by 41% y-o-y in 2011. The increase was due to the general recovery in the construction sector in 2011. Shipments of long products fell by 22% q-o-q on Q4 2011 due to the seasonal reduction in demand for long products.

- Production of flat hot-rolled products in 2011 was 5,708 thousand tonnes, 3% higher y-o-y. Growth was due to generally higher export sales, most of which is attributable to hot-rolled products.
- Total mill 5000 thick plate production in 2011 was 899 thousand tonnes, to some extent lower y-o-y. This was due to a reduction in orders from pipe companies for rolled products for large-diameter pipes. Average price for mill 5000 plate in 2011 grew by 22% y-o-y.
- Output of galvanised steel in 2011 declined by 17% y-o-y. This was due to a 25% increase in production of more expensive colour-coated steel in the same period. In 2011 galvanised steel was also shipped as a rolled product to MMK Profile Moscow, which makes structural steel products.
- Output of formed section increased by 38% in 2011 y-o-y to 259 thousand tonnes. This was due to significant growth in demand from railcar makers undertaking fleet renewal programmes.
- The average price per ton of finished steel product from MMK in 2011 was USD 757, a 21% increase y-o-y. This was due to higher demand for steel in H1 11 coming from major steel-consuming industries (auto making, construction sector, pipe making).

MMK-Metiz

Production, thousand tonnes						
Production	FY 2011	FY 2010	%	Q4 2011	Q3 2011	%
Finished products, of which:	465	450	3%	103	126	-18%
<i>MMK output</i>	458	442	4%	100	124	-20%

- MMK-Metiz's total finished steel products output in 2011 was 465 thousand tonnes (+3% y-o-y)
- Production of finished products in Q4 2011 was 103 thousand tonnes, 18% down q-o-q. This was due to a seasonal slowdown in business activity in major consumer sectors for MMK-Metiz's products (construction and metallurgy).

MMK Metalurji

Production, thousand tonnes						
Production	FY 2011	FY 2010	%	Q4 2011	Q3 2011	%
Crude steel	470	-	-	283	167	69%
MMK-Metalurji finished products output, of which:	505	156	224%	233	160	45%
Flat hot-rolled products	187	86	117%	115	60	92%
HVA products, of which:	318	70	356%	118	100	18%
<i>Galvanised steel</i>	195	32	511%	77	57	36%
<i>Colour-coated steel</i>	123	38	225%	40	43	-6%

- Output of finished products at MMK's Turkish operations in 2011 was 505 thousand tonnes, more than 3 times higher than FY10.
- In 2011 equipment commissioning process took place. Ramping up the main production facility to full capacity (2.3 million tonnes of finished products per year) is planned for H1 12.

Mining segment

COAL

Belon

Production, thousand tonnes						
Production	FY 2011	FY 2010	%	Q4 2011	Q3 2011	%
Coking coal	5,225	4,644	13%	1,474	1,235	19%
<i>Mined</i>	4,160	4,207	-1%	1,168	1,004	16%
<i>Purchased</i>	1,065	437	144%	306	231	32%
Coking coal concentrate	3,216	2,960	9%	882	849	4%

- Minor y-o-y decline in production of mined coking coal (-1%) in 2011 was due to large-scale reconstruction of walls during Q1, Q2 and beginning of Q3 of 2011. However, the resultant decline in production volumes during this period was largely compensated by higher output in Q3 and Q4 of 2011.
- Output of mined coking coal in Q4 2011 rose by 16% y-o-y to 1,168 thousand tonnes.
- Production of coking coal concentrate in Q4 2011 was 882 thousand tonnes, up 4% q-o-q.

IRON ORE

Production, thousand tonnes						
Production	FY 2011	FY 2010	%	Q4 2011	Q3 2011	%
Iron ore (used at MMK), of which:	4,825	4,679	3%	1,145	1,224	-6%
Bakal	832	1,421	-41%	137	190	-28%
Magnitogorsk	1,976	1,491	33%	580	560	4%
Slag processing	2,017	1,767	14%	428	474	-10%

* from end-Q211 shipments from the Sosnovsky deposit are included in shipments from the Magnitogorsk iron-ore base.

- Consumption of captive iron ore in 2011 increased by 3% y-o-y to 4,825 thousand tonnes.
- MMK's consumption of iron ore from its Bakal subsidiary in 2011 totalled 832 thousand tonnes, 41% lower than in FY10. This was due to lower shipments of iron ore after transfer of the Sosnovsky deposit from the Bakal subsidiary. Shipments from this deposit were subsequently included in shipments from the Magnitogorsk iron ore base.
- Consumption of iron ore from the Magnitogorsk base in 2011 was 1,976 thousand tonnes, an increase of 33% y-o-y. This growth was due to increased concentrate production at crushing and beneficiation plant no. 5, and also to the inclusion of the Sosnovsky deposit in deliveries from the Magnitogorsk iron-ore base.
- Slag processing volumes in 2011 increased by 14% y-o-y to 2,017 thousand tonnes. This was due to the upgrades to the Amcom-1 processing facility in late 2010 and the launch of the Amcom-2 and Amcom-3 facilities, leading to higher processing of tailings.

Update on MMK Group's key investment projects

Mill 2000

MMK is building a new production facility to benefit from growing demand for high-strength steels, and to substitute imports of high-quality automotive plate. The facility will use cutting-edge technologies to produce high-quality cold-rolled and galvanised products for use in internal and external car parts as well as for white goods and the construction industry. The facility is expected to have a capacity of 2 million tonnes of finished products per year, including 700 thousand tonnes of galvanised steel.

The first stage of Mill 2000, including a continuous pickling line coupled with a tandem mill, was commissioned on July 15, 2011.

The facility is currently in the process of ramping up to full production capacity. In 2011, the mill produced 370 thousand tonnes of cold-rolled product. The mill continues to supply carmakers.

The second stage of the complex, which will include a continuous hot-dip galvanizing unit, a continuous annealing unit and a coil inspection unit, is to be commissioned in July 2012.

The Mill 2000 complex was supplied by the German metallurgy machinery company SMS-DEMAG.

MMK-Metalurji

In order to strengthen its footprint in Middle Eastern markets, MMK constructed the MMK Metalurji steel production complex in Turkey.

The continuous hot-dip galvanizing unit at the MMK Metalurji Istanbul site was commissioned on July 15, 2011. This marks completion of construction of the MMK Metalurji metallurgy complex, which is located at two sites: in Iskenderun and Istanbul. Construction of the Iskenderun facility was completed in May 2011.

The annual production capacity of MMK Metalurji is 2.3 mln tonnes of finished steel products: hot-rolled coils, galvanised coils and colour-coated coils.

The advanced production technology installed at MMK Metalurji makes the plant one of the most advanced in Turkey. This new facility will meet growing Turkish demand for a range of metal products and enable MMK to export products to the Middle East, Mediterranean region and Europe.

Outlook

It is expected that steel consumption in Russia will grow in 2012 faster than in the world at average. Steel consumption growth, realised investments in equipment modernisation and mastering of new products will help MMK to increase production of finished products in 2012 at its Russian facilities. General MMK Group output growth of finished steel products in 2012 may reach 15% among other due to ramp-up to full production capacity at the company's facilities in Turkey.

MMK plans to publish its consolidated IFRS financial results for Q4 2011 and 2011 in early April 2012.

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About MMK

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 tonnes of crude steel and 11.2 million tonnes of commercial steel products. MMK Group's revenue in 2010 stood at USD 7.72 billion, EBITDA at USD 1.61 billion and net profit at USD 232 million.

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