

OJSC "Magnitogorsk Iron and Steel Works" (OJSC "MMK")

announces its consolidated financial statements under IFRS for Q2 2010

MMK LEADERSHIP IN THE RUSSIAN STEEL MARKET SECURED EFFICIENT PERFORMANCE IN Q2 2010:

- MMK Group sales grew to USD 2.068 mln.
- Consolidated EBITDA amounted to USD 437 mln.
- Profit for the period excluding one-off factors amounted to USD 122 mln (including one-off factors – USD 53 mln).

HIGHLIGHTS OF MMK GROUP CONSOLIDATED INCOME STATEMENT (USD million)

	Q2 2010	Q1 2010	+/-
Sales	2 068	1 652	25%
EBITDA *	437	374	17%
EBITDA margin	21,1%	22,6%	-
Profit for period	53	94	-

* EBITDA calculation is presented in Notes to Consolidated Financial Statements

- MMK Group sales grew by 25% in Q2 2010 as compared to Q1 2010.
- MMK average realized price grew by 15% in Q2 2010 q-on-q due to exposure to growing market segments and increasing share of HVA products.
- Slab cash-cost grew to USD 320 in Q2 2010 in comparison with USD 280 in Q1 2010. Cost inflation attributable to raw materials prices was offset by 25% by means of to cost control measures.
- EBITDA grew by 17% (while products output increased by 7% in Q2 2010) due to prices growth and growing share of HVA products.

Strict cost control, increase of raw materials use from captive sources and decrease of consumption ratios secured high profitability level.

- Despite significant increase of raw materials prices and unstable market conditions since June, 2010, MMK managed to keep EBITDA margin at high level of 21,1%.
- Profit for the period excluding one-off items amounted to USD 122 mln, which is 30% higher q-on-q. Profit for the period including one-offs (mainly differences of currency exchange rate and allowance for doubtful accounts receivable) amounted to USD 53 mln.

Balance sheet highlights

Total assets as of June 30, 2010 grew by 5.1% as compared to December 31, 2009 and amounted to USD 15.594 mln. PP&E grew by 3,5% by the end of Q2 2010 as compared to the end of 2009 and amounted to USD 11.676 mln.

The balance sheet is characterized by high level of stability: equity accounts for 62% of total assets as of Q2 2010 end.

Strong balance sheet allowed MMK to keep financing and execution of strategic projects despite unstable market conditions.

The debt level of MMK Group is one of the lowest in steel universe. Total debt amounted to USD 2.880 mln as of June 30, 2010. Cash and cash equivalents including highly liquid assets amounted to USD 953 mln.

The share of short-term debt in the total debt structure kept on decreasing and equaled 32% by the end of Q2 2010 (vs. 39% at the end of 2009 and 75% at the beginning of 2009) or USD 931 mln. This amount includes USD 292 mln of revolving credit facilities of traders within MMK Group. Thereby, net short term debt stands at USD 639 mln.

MMK continues to efficiently manage its working capital: inventory turnover decreased from 57 days in Q1 2010 to 47 days in Q2 2010. Growth of accounts receivable corresponds to production volumes and prices increase, balance of accounts receivable and accounts payable equaled USD 23 mln.

Cash outflow to investments into property, plant and equipment amounted to USD 498 mln in Q2 2010 (USD 620 mln in Q1 2010).

The investments are made to continue supplies of mill 2000 equipment in order to master production of high-quality automotive steel. This is in line with MMK strategy to increase HVA products share and strengthen presence in the domestic market to meet growing demand from the largest sectors of the Russian economy.

MMK Operational highlights, th. tonnes

	Q2 2010	Q1 2010	+/-
Finished products output	2 623	2 453	7%
Slabs and billets	115	0	-
Long products	203	210	-3%
Flat hot-rolled products	1 397	1 509	-7%
High value-added products	908	734	24%
Thick plate (Plate mill 5000)	228	176	30%
Flat cold-rolled products	306	251	22%
Downstream products	374	307	22%

- Finished steel production grew by 7% in Q2 2010 q-on-q. The growth is entirely driven by increased output of HVA products as the result of commissioning of new facilities for production of highly profitable products to meet the demand coming from the domestic market.
- HVA products share in the product mix went up to 35% in Q2 2010 (30% in Q1 2010 and 27% in 2009).
- MMK continued to increase the volume of domestic shipments, meeting the growing demand from the key steel consuming industries. Export shipments grew by 2% in Q2 2010, while domestic shipments increased by 9%.
- Shipments to Russia and CIS accounted for 65% of overall shipments in Q2 2010.

In money terms sales to Russia and CIS accounted for 71% of total steel products sales. Pipe manufacturers and machinery-builders (including automakers) remained major customers of MMK in the domestic market in Q2 2010 accounting for 37% and 23% of MMK overall domestic shipments correspondingly.

- MMK export revenue originated from different regions of the world. The key export markets remained the Middle East and Europe (33% and 32% of all export shipments in Q2 2010 correspondingly).

TARGET INVESTMENTS OF MMK IN HIGH-QUALITY ASSETS CONTRIBUTE TO MMK GROUP EFFICIENCY

- Acquisition of coal company Belon not only guarantees increasing deliveries of high quality coal concentrate to MMK, but also contributes significantly to MMK Group financials. Belon contribution to MMK Group financials amounted to USD 140 mln in sales and USD 70 mln in EBITDA, which corresponds to EBITDA margin of 50%.

BELON OPERATIONAL HIGHLIGHTS - MMK GROUP COAL SEGMENT

MMK consolidates the financial results of Belon starting from Q4 2009

	Q2 2010	Q1 2010	+/-
Concentrate production, th. tons:	1 608	1 470	9%
<i>coking coal concentrate</i>	747	846	-12%
<i>steam coal concentrate</i>	861	706	22%
Sales of coal segment, USD mln	140	150	-7%
EBITDA of coal segment, USD mln	70	57	23%
<i>EBITDA margin</i>	50%	38%	
Profit for the period of coal segment, USD mln	22	15	47%

- Belon develops according to the earlier approved investment programme and increases coal concentrate production.

- Belon production volumes in Q2 2010 amounted to 1.6 mln tonnes of coal concentrate. Coal segment sales amounted to USD 140 mln.
- EBITDA equaled USD 70 mln, bringing the margin up to 50%.
- Profit for the period of coal segment amounted to USD 22 mln.

FUTURE GROWTH DRIVERS

- MMK plans to increase production volumes by more than 60% by 2014 from the current levels as the result of Magnitogorsk production site development and MMK-Atakas project completion.
- Growth plans are called for increasing exposure to perspective domestic market and market of Turkey with high quality flat products, mainly by means of import replacement.
- Investments made to master quality and new products types (with prevailing share of HVA-products) allow MMK to maintain high level of domestic shipments to end customers in order to meet robust demand.
- The share of HVA products in MMK production portfolio will grow up to 50% by 2014 thus accounting for the bulk of the increment in volumes growth.
- The widest products range among Russian peers provides flexibility to promptly react to market demand, in particular due to modern facilities for production of both flat and long products.
- Strong footprint of MMK in export markets – shipments to more than 50 countries worldwide – enable the company to build an optimal export orders book.
- Flexibility in terms of steel-making technologies – converters (using pig iron, i.e. iron ore and coal, mostly) and electric arc furnaces (using scrap mostly) – allows to control costs depending on price dynamics for different raw materials.
- Increasing integration level. MMK has been most active in increasing its vertical integration over the last 18 months:
 - Integration into iron ore increased from 20% (in 2008) to 30% (in Q2 2010) through the production growth at captive sources and slags processing programme. Long-term agreement with ENRC for supply of other volumes required is effective till 2017;
 - MMK has covered 50% of its requirement of coking coal through acquisition of Belon;
 - MMK consolidated the largest scrap collector in Russia (ZAO Profit) which implies 100% integration in scrap;
 - MMK is 85% self-sufficient in electricity.
- Strong balance and well-balanced strategy of borrowings is the solid platform for further growth.

Management will hold conference call on September, 16 at 3.00 pm Moscow time, 12.00 am London time, 07.00 am New York time.

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Financial statement under IFRS is available at: http://www.mmk.ru/eng/invrelations/b_reports/index.wbp

Presentation of the financial results will be available at 2 pm Moscow time today at: <http://www.mmk.ru/eng/invrelations/presentations/index.wbp>

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About OJSC MMK

OJSC 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.