



## **MAGNITOGORSK IRON & STEEL WORKS**

# **FY and Q4 2010 IFRS Financial Statements Presentation**



## FY 2010 Financials

- ✓ Revenue **USD 7,719 mln** – 52% growth to FY 2009
- ✓ EBITDA **USD 1,606 mln** – 23% growth to FY 2009
- ✓ EBITDA margin – **21%**

## Q4 2010 Financials

- ✓ Revenue **USD 1,944 mln** – 5% decrease to Q3 2010
- ✓ EBITDA **USD 407 mln** – 5% growth to Q3 2010
- ✓ EBITDA margin – **21%** - 2% growth to Q3 2010

## 2010 Key Operational Figures

- ✓ Finished steel output – **10.4 mln tonnes** – 17% growth to FY 2009
- ✓ Finished steel output Russian market share – **17.7%**
- ✓ High value added (HVA) products share – **38%**
- ✓ Domestic sales share – **75%**



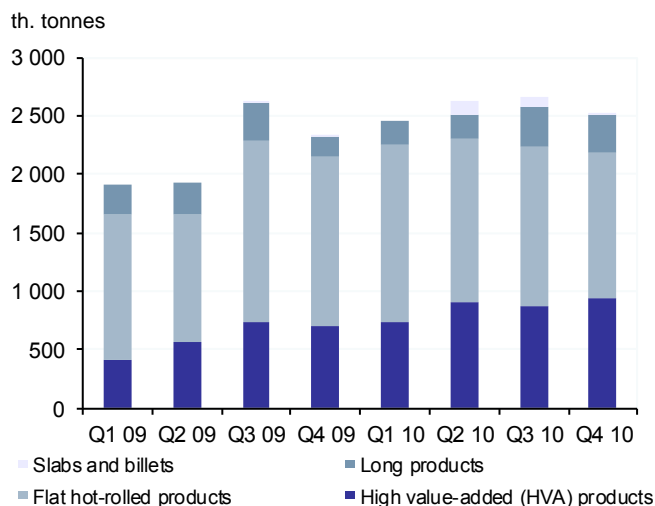
- Largest domestic player with strong direct exposure to growing sectors of Russian economy
- Import substitution strategy with focus on niche HVA products
- Target investments into high-quality assets and high-margin projects
- Growing integration into raw materials and increasing use of captive iron 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 2010 rose by 17% y-on-y and amounted to 10.4 mln tonnes
- Main growth drivers are HVA (mill 5000 thick plates, galvanized and colour-coated products) and long products
- 2010 HVA products share in MMK's product mix amounted to 38%, compared to 31% in 2009

## Finished products sales



## MMK key operational indicators

	12M 10	12M 09	+/-	Q4 10	Q3 10	+/-
<b>Cast iron</b>	9 234	8 163	13,1%	2 363	2 315	2,1%
<b>Crude steel incl.</b>	11 419	9 618	18,7%	2 765	2 938	-5,9%
EAF steel	1 209	468	158,3%	57	443	-87,1%
BOF steel	10 210	9 150	11,6%	2 708	2 495	8,5%
<b>Finished products output incl.</b>	10 245	8 764	16,9%	2 508	2 661	-5,7%
Slabs and billets	209	3	-	11	83	-87,2%
Long products	1 065	1 004	6,1%	315	336	-6,2%
Flat hot-rolled products	5 524	5 356	3,1%	1 246	1 367	-8,8%
High value-added (HVA) products	3 448	2 401	43,6%	936	874	7,1%
<i>Thick plate (Plate Mill 5000)</i>	943	159	493%	294	245	20,1%
<i>Flat cold-rolled products</i>	1 116	1 089	2,5%	284	280	1,4%
<i>Downstream products*</i>	1 388	1 154	20,3%	358	349	2,6%
<b>MMK-Atakas finished products</b>	156	33	372,7%	45	54	-16,9%
<b>Belon coking coal concentrate</b>	2 960	2 460	20,3%	842	525	60,5%
<b>Belon steam coal concentrate</b>	2 491	2 019	23,4%	549	529	3,8%

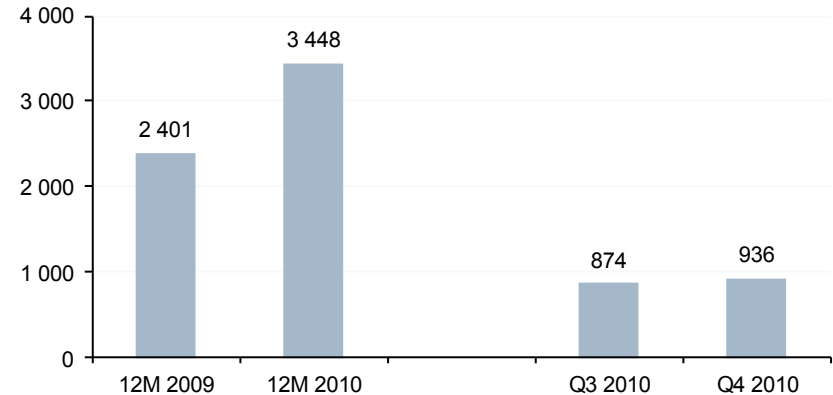
\* - galvanized steel products, colour-coated steel products, formed section, band, tin plate, etc.

# Strong Exposure to Price Premium Domestic Market

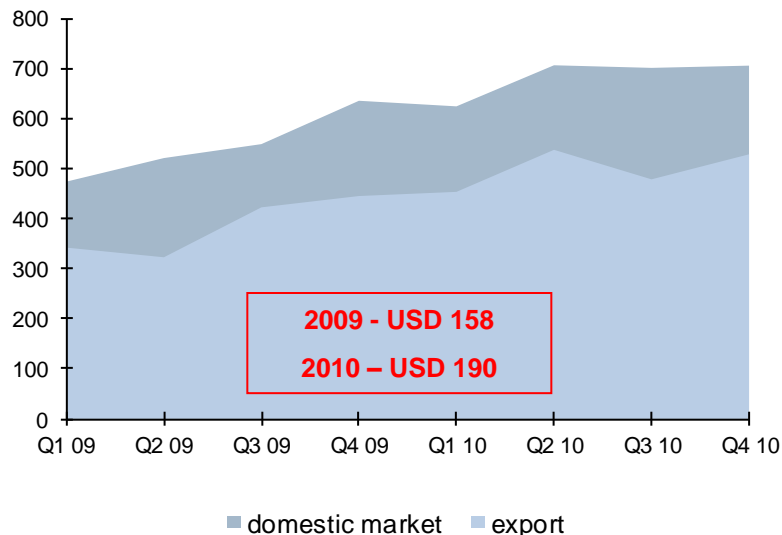


- Retaining presence in key export markets, MMK met the demand of end-customers in Russian and CIS
- Share of domestic sales continued to grow and amounted to 69%
- HVA products meet the domestic market demand
- Domestic market continues to offer price premium
- Q4 2010 average steel products price at domestic market equals to USD 705, at export markets – USD 528

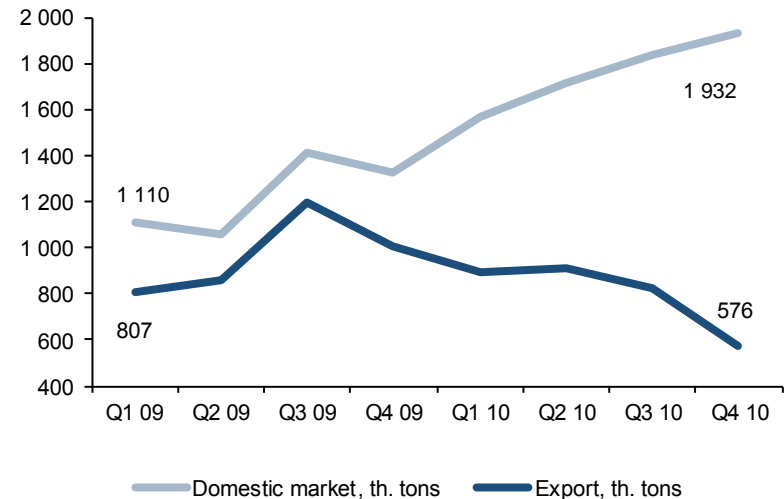
HVA products output growth, th. tonnes



Domestic market price premium, USD



Sales by market, th. tonnes

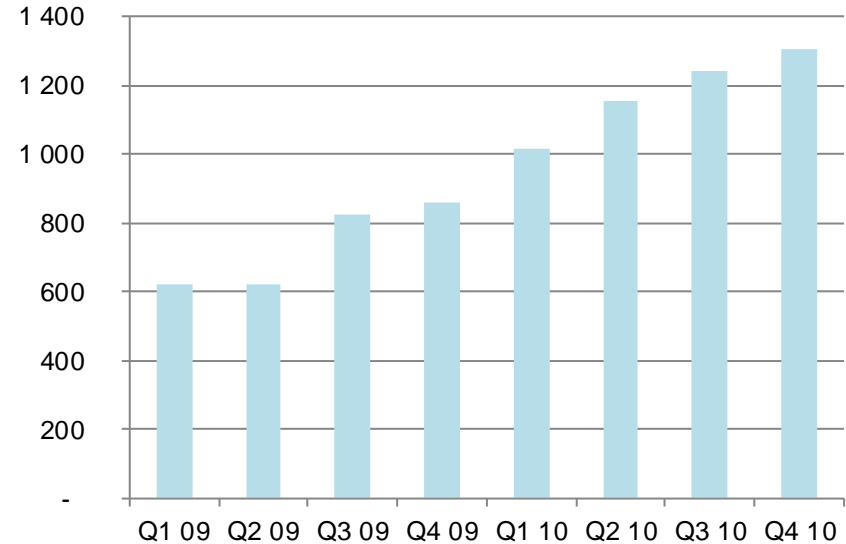


# Domestic Market Sales

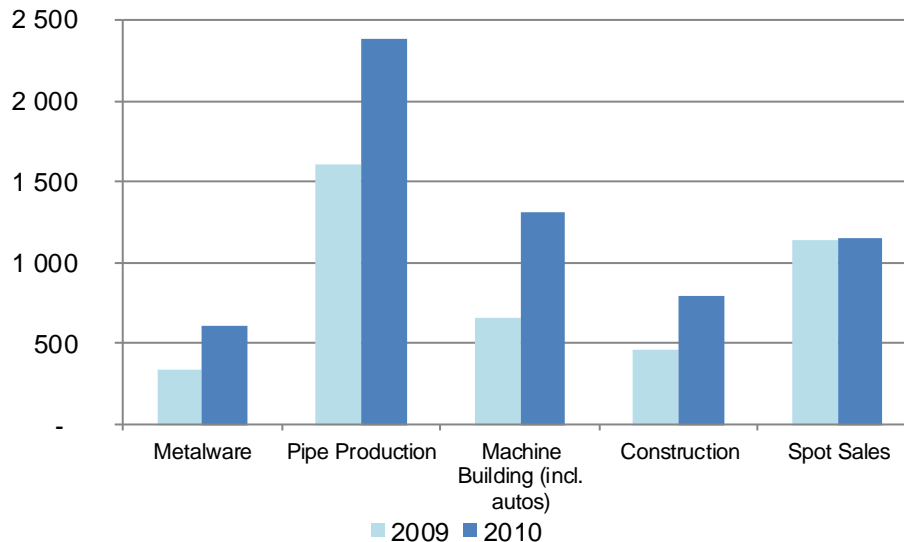


- MMK 2010 domestic sales grew by 44% y-on-y
- Companies, located in Urals and Volga region (key MMK markets), demonstrated the highest consumption growth +61%
- Sales to these regions account for 46% of total MMK sales and 67% of domestic sales
- Q4 2010 sales to Urals and Volga region reached 1.3 mln tonnes

Sales to Urals and Volga Region, th. tonnes



Sales by Industry, th. tonnes



- MMK steel products 2010 consumption growth rate exceeded average Russian consumption growth rate due to strategy of Russian imports replacement
- Sales to pipe producers in 2010 account for almost quarter of total sales and for 34% of domestic sales
- MMK steel products consumption growth from pipe producers in 2010 reached its maximum level and equals to 48% y-on-y
- Machine-builders consumption of MMK steel products almost doubled in 2010 and reached 1.3 mln tonnes

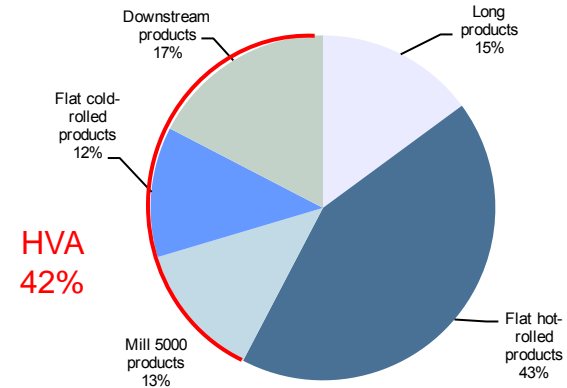
# Domestic Sales Structure



- Q4 2010 domestic shipments amounted to 1,932 th. tonnes
- HVA products account for the bulk of domestic shipments – 42%
- Largest clients of MMK remain pipe-makers, auto-making and heavy machinery companies

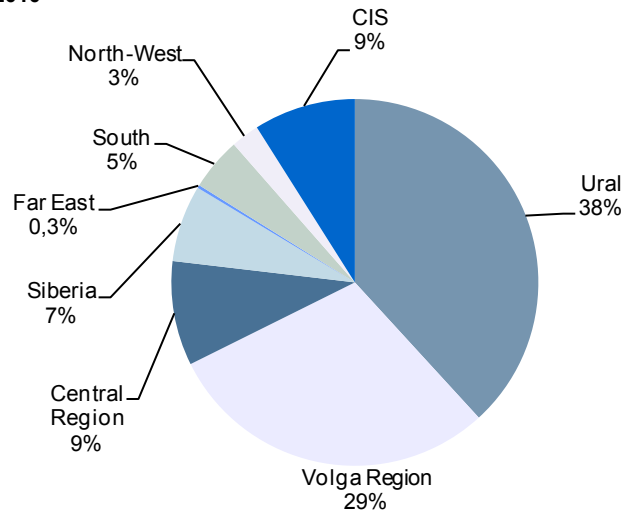
## Domestic sales of finished products

Q4 2010



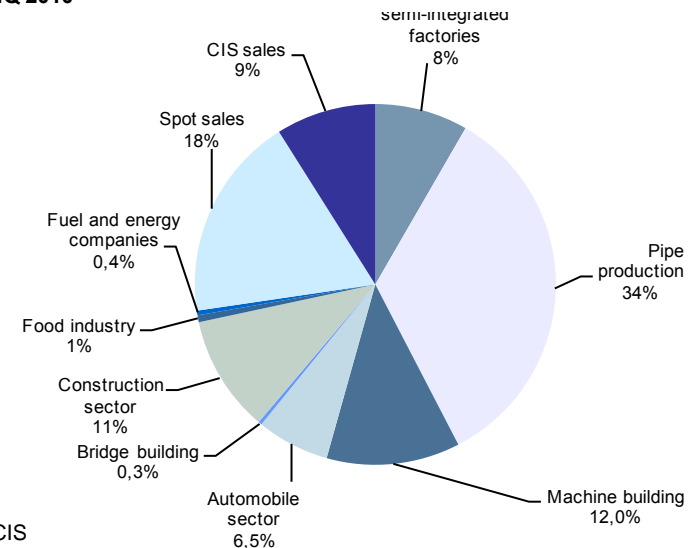
## Domestic sales by region

4Q 2010



## Domestic sales by industry\*

4Q 2010



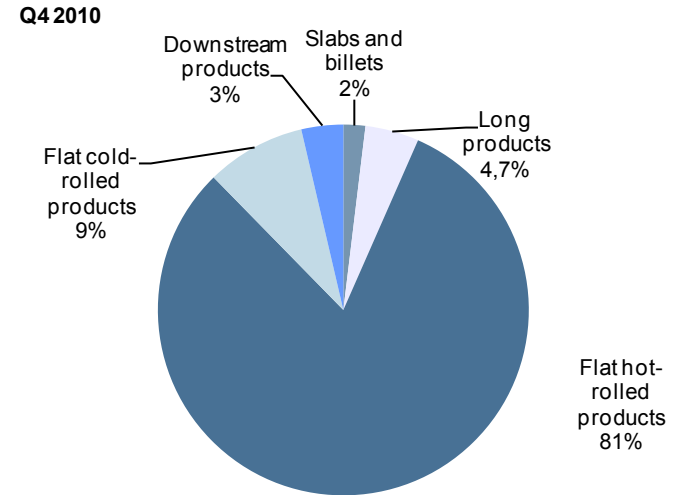
\* - less CIS

# Presence at Key Export Markets

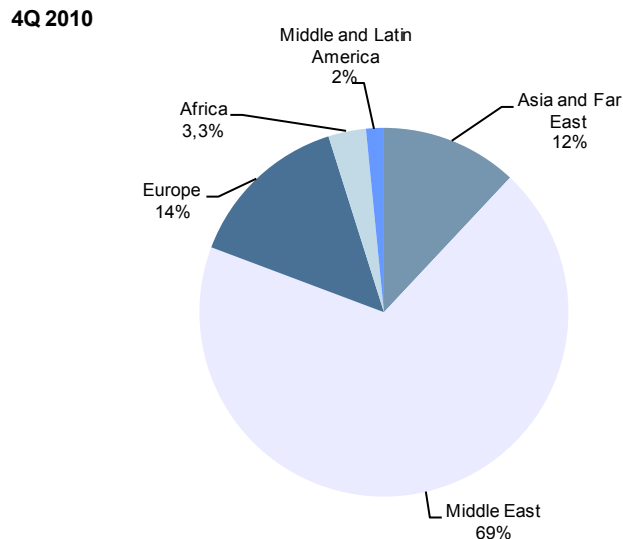


- 2010 MMK export shipments reduced 17% y-on-y and amounted 3.2 mln tonnes. Q4 2010 export shipments amounted to 576 th. tonnes
- HR steel continues to prevail in the exports structure – 81%
- Middle East and Europe remain the largest export markets of MMK
- Exports account for 31% of overall shipments in 2010 and 23% in Q4 2010
- Exports account for 25% in 2010 revenues and 18% in Q4 2010

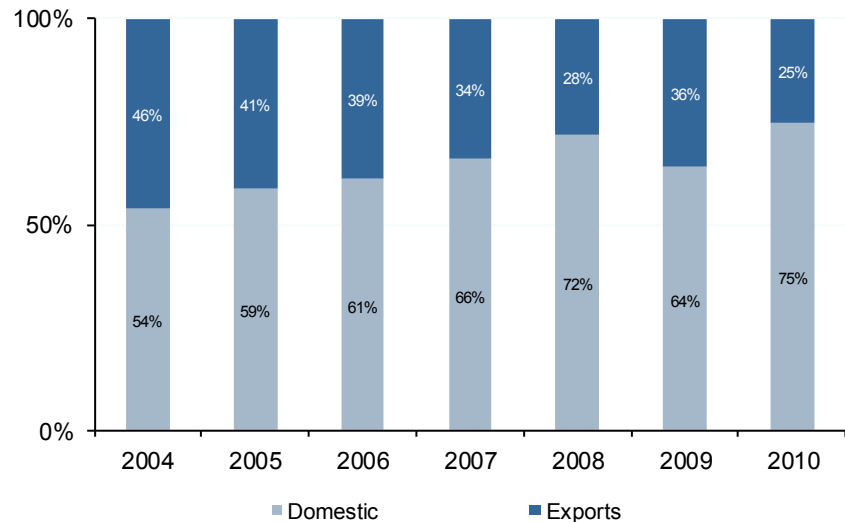
## Export shipments by product type



## Export shipments by region



## Share of export shipments in revenue







### FY 2010

- ✓ MMK Group FY 2010 revenue equals to **USD 7,719 mln** – 52% higher y-on-y
- ✓ MMK Group FY 2010 EBITDA is 23% higher y-on-y thanks to growth in prices and HVA products share and equals to **USD 1,606 mln**
- ✓ EBITDA margin – **21%**
- ✓ Profit for the period - **USD 232 mln** – 6% higher y-on-y

### Q4 2010

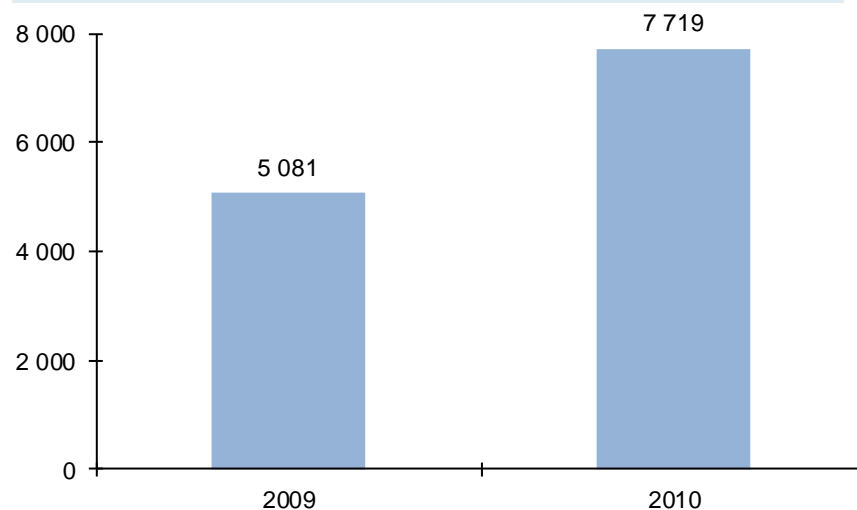
- ✓ MMK Group Q4 2010 revenue is 6% lower q-on-q and equals to **USD 1,944 mln**
- ✓ MMK Group Q4 2010 EBITDA - **USD 407 mln** – 5% higher q-on-q
- ✓ Q4 2010 EBITDA margin grew 2% q-on-q and amounted **21%**
- ✓ Q4 2010 profit for the period remained flat q-on-q and amounted to **USD 42 mln**

# MMK Group FY 2010 Financial Highlights



- Revenue growth driven by evolution of finished steel products structure, growing demand from domestic market clients for MMK steel products, as well as average price growth
- MMK has been successful in cutting costs, offsetting raw materials prices growth with increasing integration into iron ore, coking coal and electricity, as well as with specific consumption ratios decrease

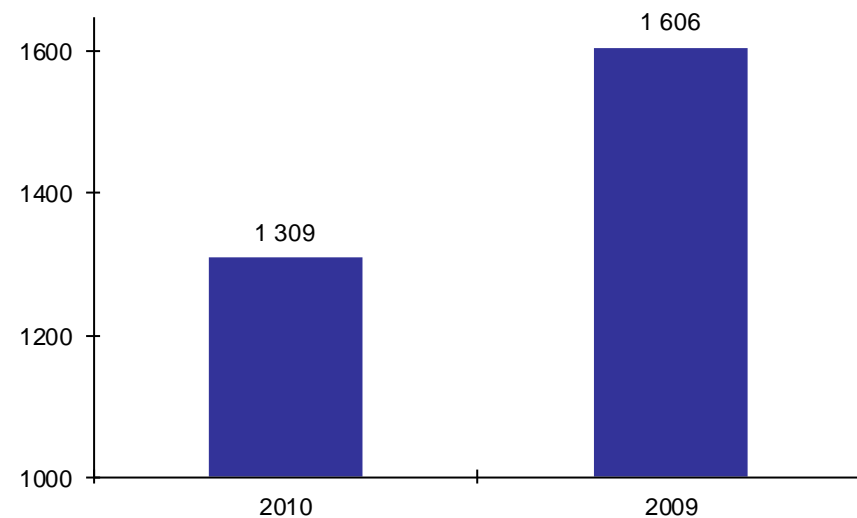
MMK Group revenue, USD mln



MMK Group financial highlights, USD mln

	2010	2009	+/-	%
Revenue	7 719	5 081	2 638	52%
EBITDA	1 606	1 309	297	23%
<i>EBITDA margin</i>	21%	26%		
Profit for the period	232	219	13	-
<i>Net margin</i>	3,0%	4,3%		

MMK Group EBITDA, USD mln

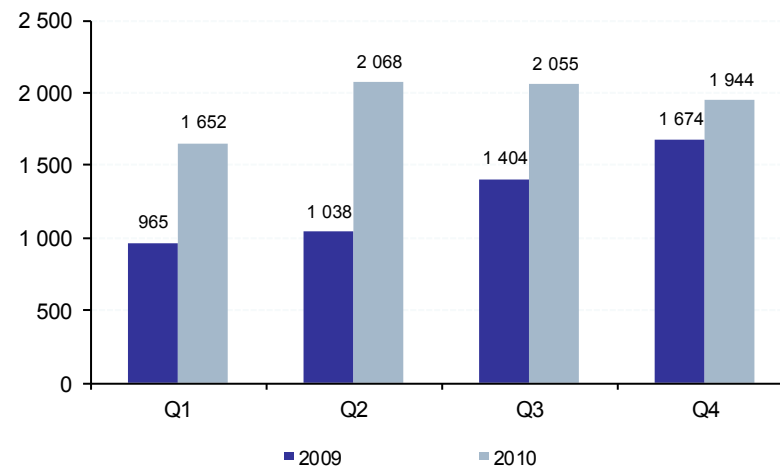


# MMK Group Q4 2010 Financial Highlights



- MMK Q4 2010 revenue went down q-on-q due to sales decrease at the end of 2010 following weaker demand from export markets
- Q4 2010 EBITDA grew 5% q-on-q which gave EBITDA margin 21%
- Q4 2010 profit for the period amounted to USD 42 mln

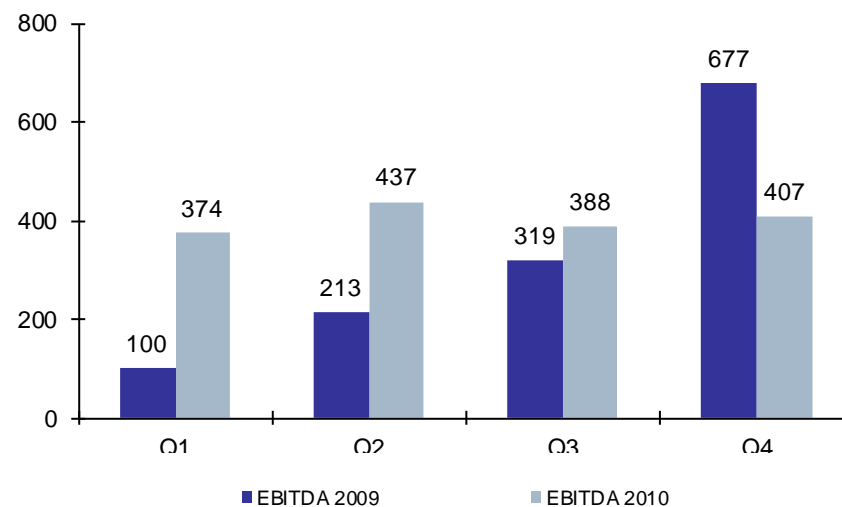
MMK Group revenue, USD mln



MMK Group financial highlights, USD mln

	Q4 10	Q3 10	+/-	%
Revenue	1 944	2 055	-111	-5%
EBITDA	407	388	19	5%
<i>EBITDA margin</i>	21%	19%		
Profit for the period	42	43	-1	-2%
<i>Net margin</i>	2,2%	2,1%		

MMK Group EBITDA, USD mln

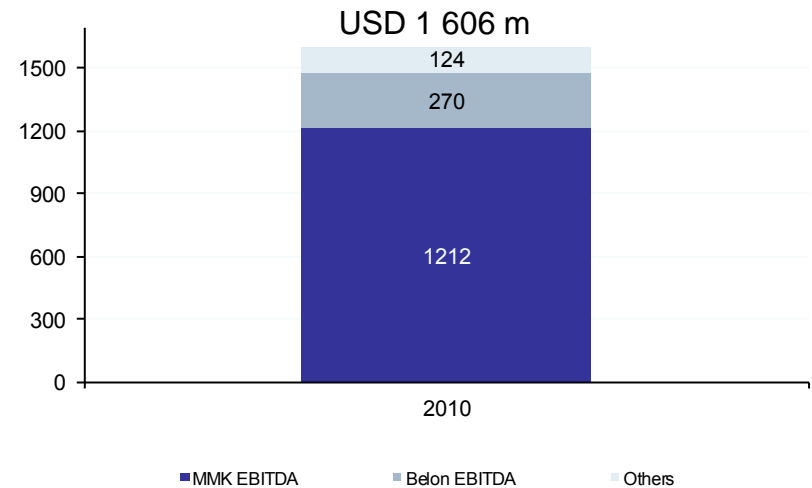


# MMK Key Performance Indicators Analysis

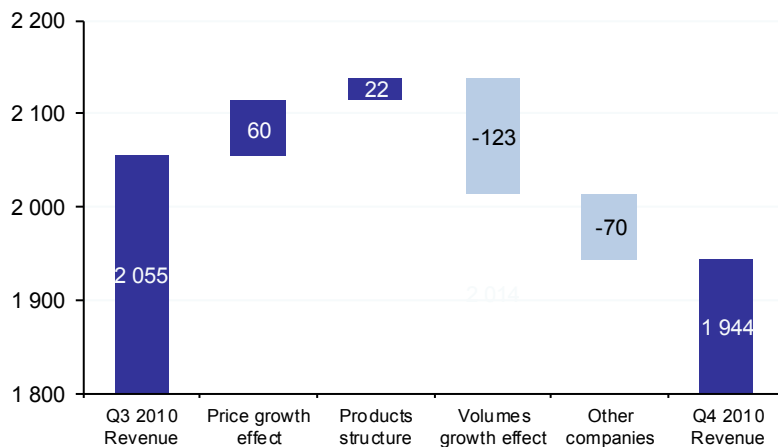


- Q4 2010 revenue decreased q-on-q by USD 111 mln due to lower output volumes at the end of the year because of seasonal factor
- HVA products share growth pushed average price up from USD 632 per tonne in Q3 2010 to USD 664 in Q4 2010
- Q4 2010 cash-cost of slab increase was mitigated by captive raw materials consumption growth. All in all Q4 2010 slab cash-cost remained unchanged q-on-q – USD 362 per tonne

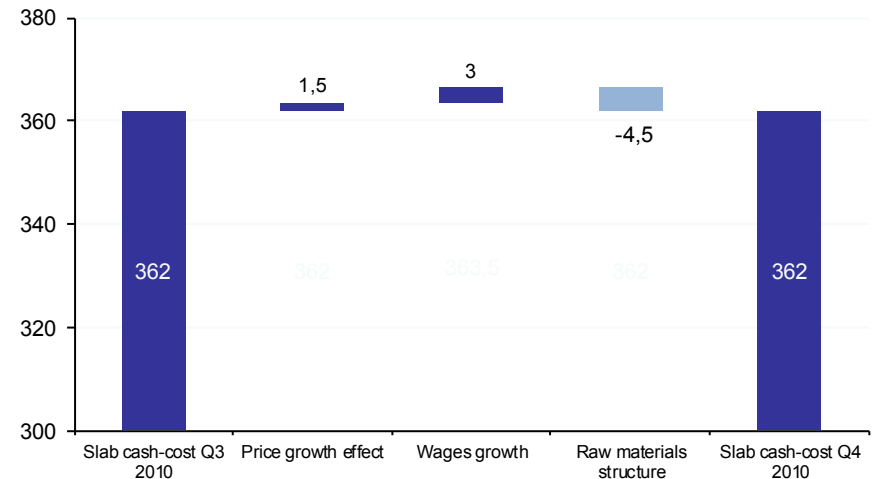
MMK Group EBITDA structure, USD mln



Q4 2010 revenue analysis, USD mln



Cash-cost of slab evolution, USD



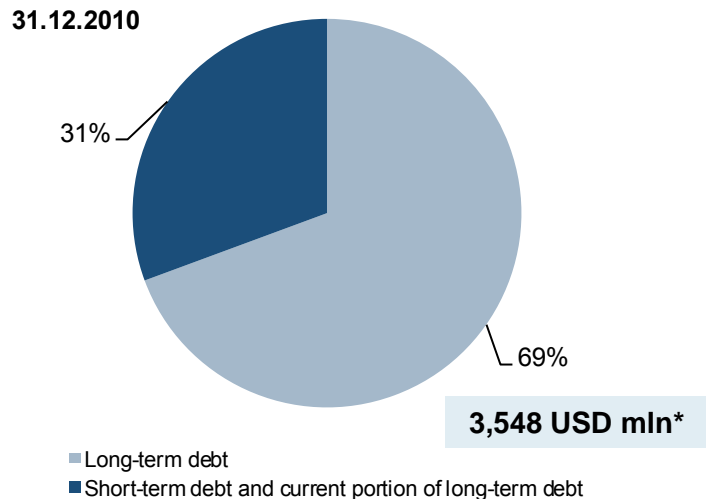


- MMK total assets stand at **USD 16,738 mln** as of December 31, 2010 – 12.7% growth to December 31, 2009
- Property, Plant & Equipment went up by 8.3% by the end of 2010 and amounted to **USD 12,226 mln**
- The balance sheet is characterized by high level of stability: equity accounts for **61%** of total assets as of end of 2010
- MMK has one of the lowest levels of debt among Russian peers. By the end of 2010 total debt equals to **USD 3,548 mln**
- Highly liquid assets on balance sheet stand at **USD 1,697 mln**

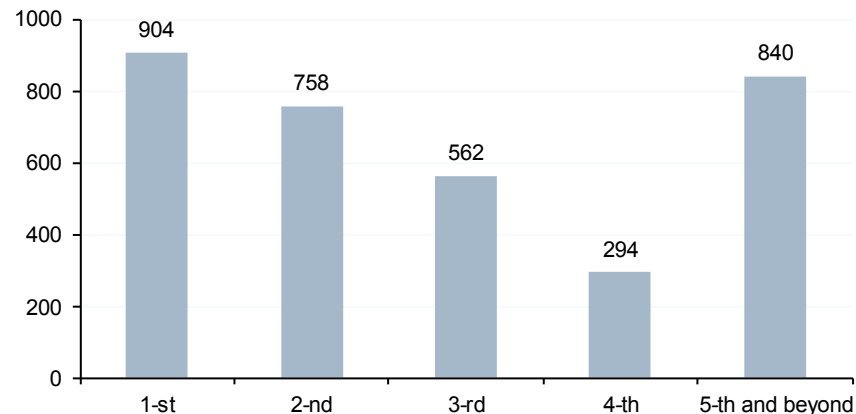
# MMK Financial Strength



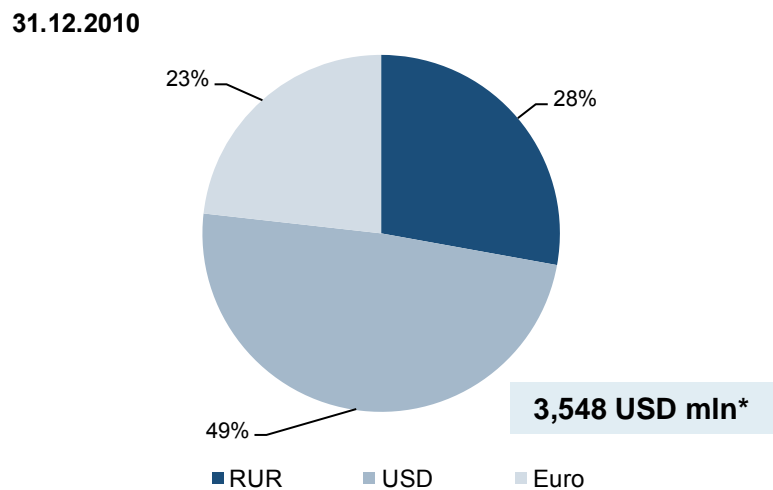
## Debt structure breakdown by maturity profile



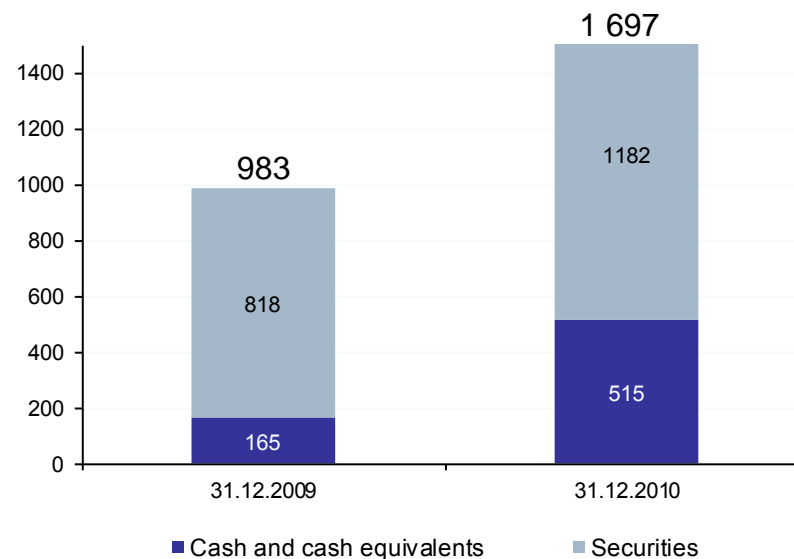
## Debt maturity profile as of 31.12.2010, USD mln



## Debt structure by currency



## MMK Group liquid assets, USD mln

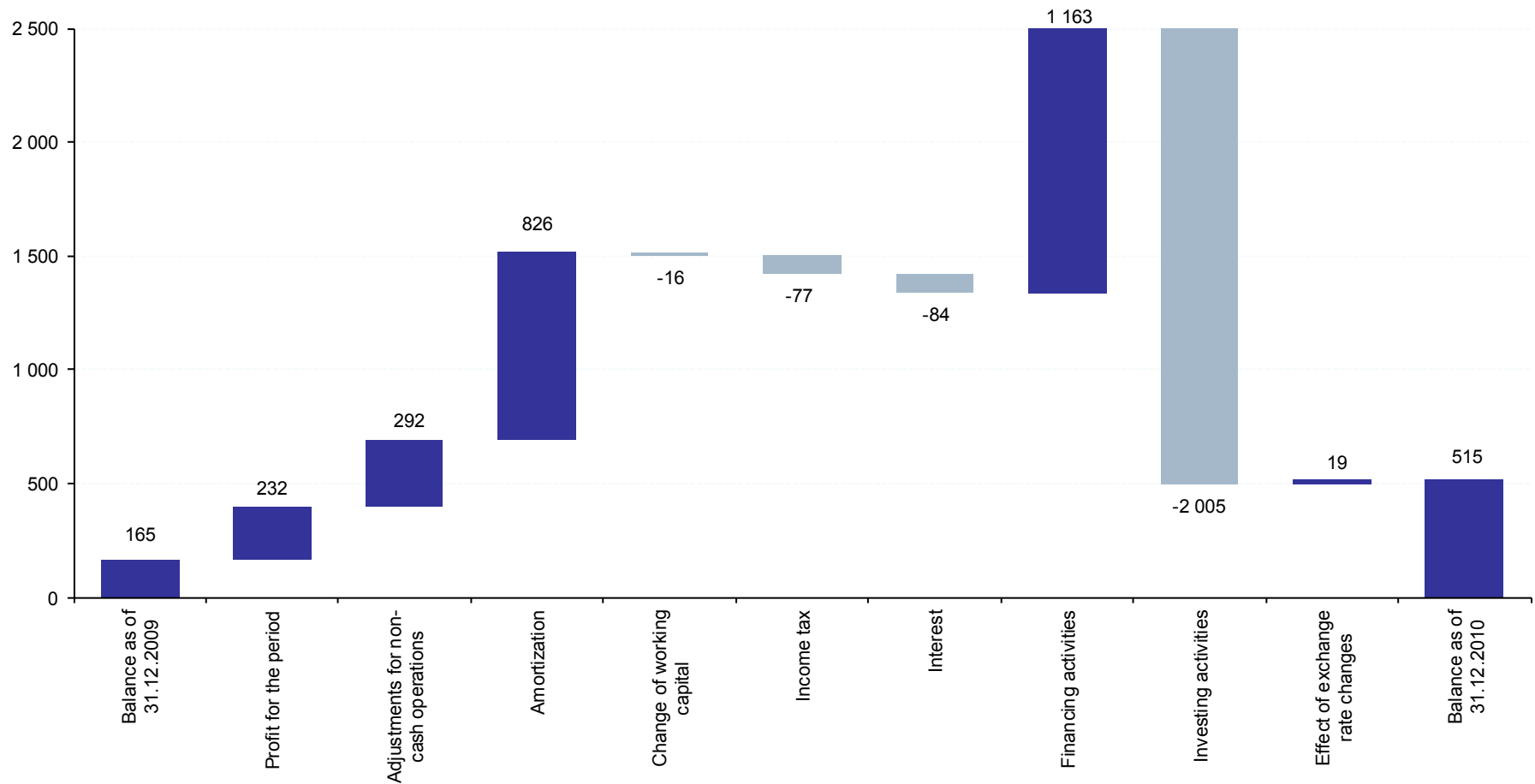


\* Lease incl.

# MMK Cash Flow, USD mln



- CAPEX for FY 2010 amounted to USD 2,209 mln, 37% higher than the level of 2009 – USD 1,613 mln
- Investment activities are financed with long-term borrowings
- MMK demonstrates efficient working capital management





- Responding to the market conjuncture MMK drove up capacity utilization to 92% in Jan-Feb 2011 from the average of 78% in 2010
- Growth of realized steel prices in the beginning of 2011 made it possible to pass on the inflated costs
- We expect positive dynamics 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 construction sector as the construction season begins
- Steel products output for MMK Group is expected to grow by 20% in 2011, including growth of output in Russia at 15%

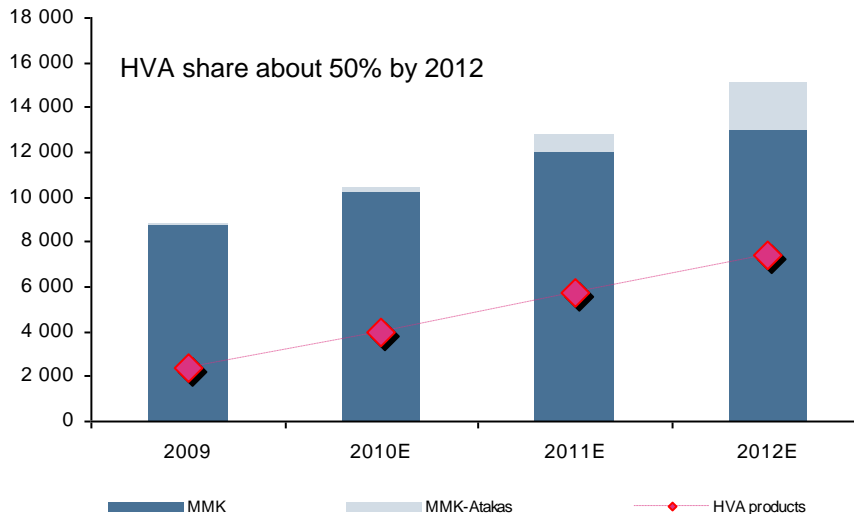


# Future Growth Factors

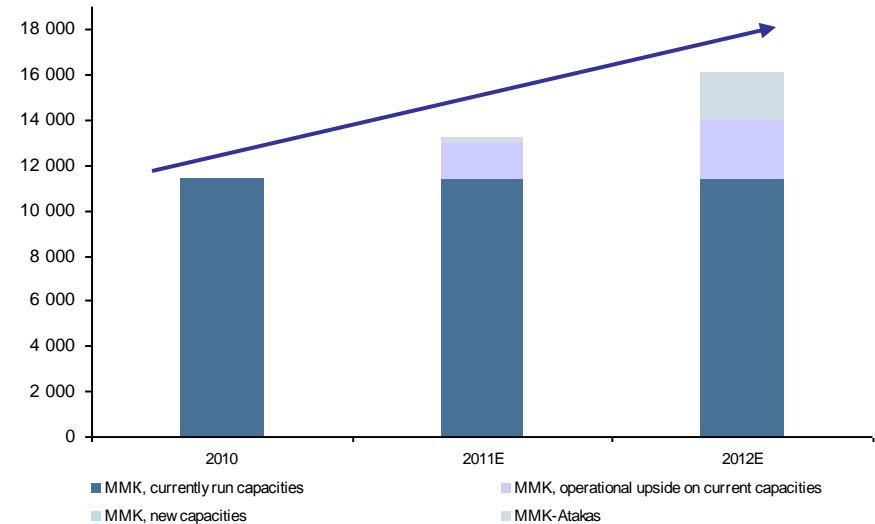


- MMK plans to increase production volumes by 45% by 2012 from the current levels as the result of Magnitogorsk production site development and MMK project in Turkey completion
- Growth plans are called for increasing exposure to perspective domestic market and market of Turkey with high quality flat products, mainly by means of import replacement
- The share of HVA products in MMK production portfolio will grow to 50% by 2012 thus accounting for the bulk of the increment in volumes growth

## Finished steel products structure evolution, th. tonnes



## MMK crude steel growth drivers, th tonnes



- The share of HVA products is bound to grow. The key contributors are:
  - products of Mill 5000 for pipe-manufacturing and infrastructural projects
  - products of Mill 2000, including high quality automotive steel as well as steel for production of white goods and construction
  - HVA products of MMK-Atakas complex – galvanized and colour-coated steel



- Key beneficiary of steel market recovery – more than 45% by 2012
- Growing volumes and share of HVA products (50% by 2012) 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
- Emphasized direct exposure to growing industry sectors in the domestic market – pipe-building, automotive and heavy machinery industries
- Strong balance to secure further growth
- Plans for further strengthening in commodities



## APPENDICES

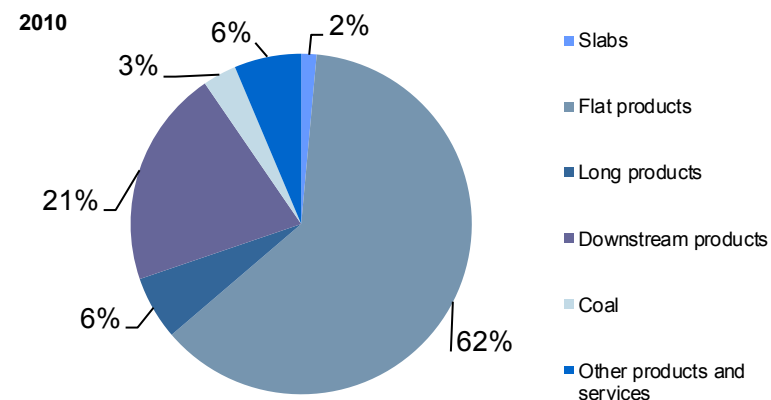
# MMK Group Revenue Breakdown



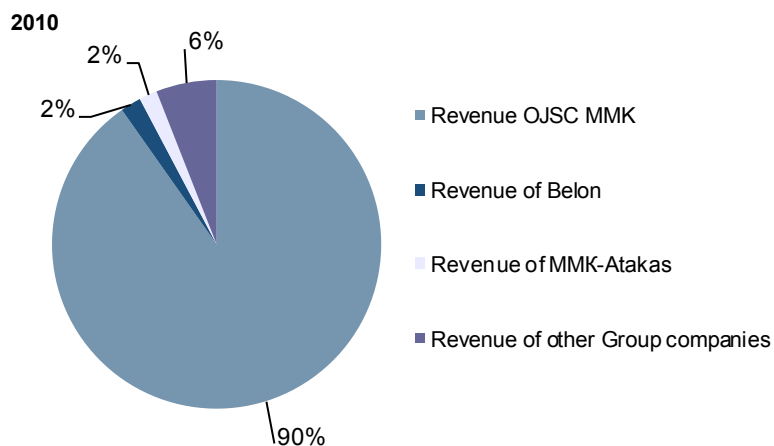
## Revenue by type of products, USD mln

	2010	2009	+/-	%
Slabs	112	12	100	-
Flat products	4 807	3 085	1 722	56%
Long products	466	413	53	13%
Downstream products	1 597	1 116	481	43%
Coal	247	36	211	x6,9
Other products and services	490	419	71	17%
<i>Total revenue</i>	<i>7 719</i>	<i>5 081</i>	<i>2 638</i>	<i>52%</i>

## Revenue by type of products



## MMK Group Revenue



## MMK Group Revenue , USD mln

	2010	2009	+/-	%
Revenue OJSC MMK	6 966	4 577	2 389	52,2%
Revenue of Belon	157	57	101	177,0%
Revenue of MMK-Atakas	137	30	107	359,4%
Revenue of other Group companies	459	417	42	10,2%
<i>Total revenue</i>	<i>7 719</i>	<i>5 081</i>	<i>2 638</i>	<i>51,9%</i>

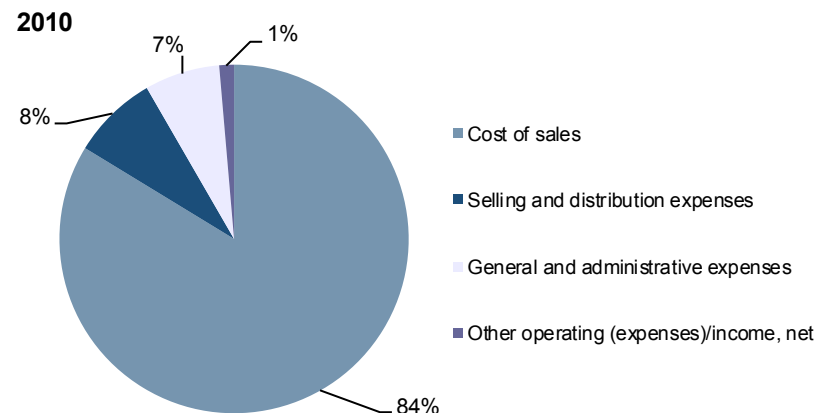
# MMK Group Operating Costs and Cost of Sales Structure



## MMK Group operational costs , USD mln

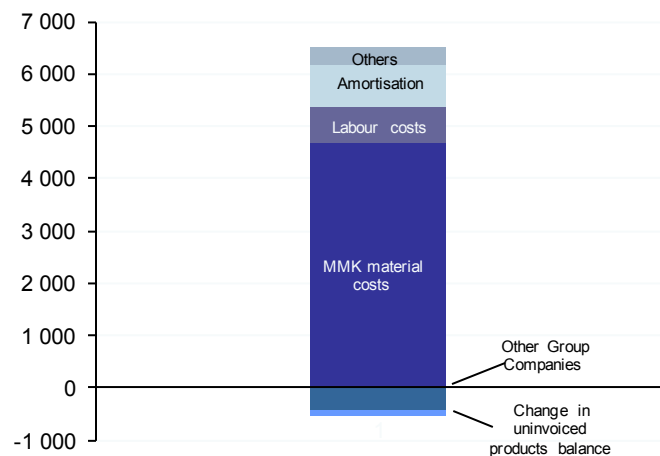
	2010	2009	+/-	%
Cost of sales	5 952	3 490	2 462	71%
Selling and distribution expenses	565	429	136	32%
General and administrative expenses	495	349	146	42%
Other operating (expenses)/income, net	97	51	46	90%
<b>Total operating costs</b>	<b>7 109</b>	<b>4 319</b>	<b>2 790</b>	<b>65%</b>

## MMK Group operational costs



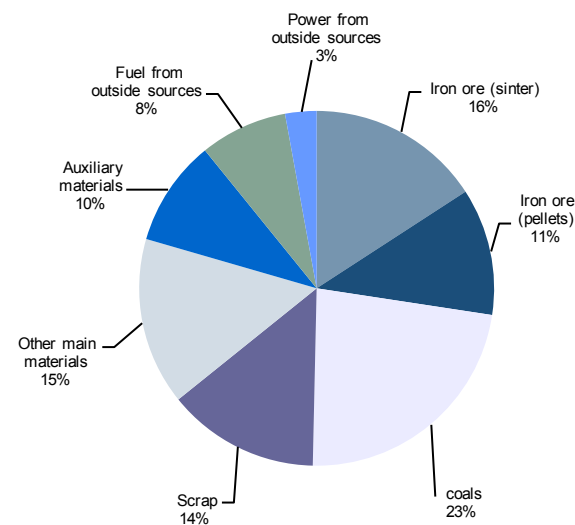
## Cost of sales structure

2010



## MMK material costs structure

2010





## **MMK**

- Blast furnace №7 was commissioned after II-rank overhaul (27.12.2010)
- MMK launched production of new class of high-strength super-low-carbon microalloyed hot-galvanized steel grades designed for a wide range of industries (18.01.2011)
- MMK received approval for Joint Implementation project within the framework of the Kyoto protocol (20.01.2011)
- MMK marked the 79th anniversary of its foundation (01.02.2011)
- The Board of Directors of MMK decided on the date of the annual general shareholders' meeting - May 20, 2011 (11.02.2011)
- MMK and AVTOVAZ signed an agreement on steel supplies. Supply volumes will amount to 30 th. tons a month depending on AVTOVAZ production volumes (01.03.2011)
- MMK finalized sale of Belon steam coal production assets (25.03.2011)

## **Mill 2000**

- MMK has assembled first phase of technological equipment at its Mill 2000. Continuous pickling line has been linked to the 'tandem' mill. All the necessary gear has been put in place (06.04.2011)

## **Mill 5000**

- The order book of the Plate Mill 5000 at MMK is 100% full. In January 2011, the Plate Mill produced 127,000 tons compared to 112,000 tons in December 2010 (09.02.2011)

## **Mill 2500**

- The Mill 2500 reconstruction is being in process. 80% of metal construction of the main building have been installed where units will be set up. The construction of foundation of new furnaces have been almost completed. In the nearest time the equipment installation of substructure of blast furnace №3 will start (18.03.2011)

## **MMK-Atakas**

- MMK-Atakas, a joint venture of MMK and Atakas Group, commissioned an electric arc furnace facility at the industrial complex in Iskenderun (Turkey) (09.03.2011)
- MMK announces signing of the share purchase agreement to acquire 50 percent minus one share of MMK-Atakas from the Atakas Family for the consideration of USD 485 mln (11.03.2011)

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