

Magnitogorsk Iron & Steel Works

announces its consolidated IFRS financial statements for Q4 2012 and FY 2012

HIGHLIGHTS

- MMK Group sales for 2012 totalled USD 9,328 million, an increase of 0.2% y-o-y.
- Cost of sales in 2012 amounted to USD 7,881 million, up 1.6% y-o-y.
- EBITDA for 2012 was USD 1,356 million, up 1.5% from 2011. The main EBITDA growth factor for MMK Group was growth in the Russian steel segment of more than 13%.
- The net loss for 2012 decreased by nearly 25% y-o-y and amounted to USD 94 million.

MMK GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (USD MLN)

	2012	2011	%	Q4 2012	Q3 2012	%
Revenue	9,328	9,306	0.2%	2,068	2,319	-10.8%
Cost of sales	-7,881	-7,756	1.6%	-1,751	-1,911	-8.4%
EBITDA*, of which	1,356	1,336	1.5%	296	398	-25.6%
<i>Steel segment (Russia)</i>	<i>1,343</i>	<i>1,187</i>	<i>13.1%</i>	<i>303</i>	<i>400</i>	<i>-24.3%</i>
<i>Steel segment (Turkey)</i>	<i>-75</i>	<i>-66</i>	<i>13.6%</i>	<i>-18</i>	<i>-31</i>	<i>-41.9%</i>
<i>Coal segment</i>	<i>86</i>	<i>222</i>	<i>-61.3%</i>	<i>12</i>	<i>27</i>	<i>-55.6%</i>
<i>Consolidation effect</i>	<i>2</i>	<i>-7</i>	<i>-</i>	<i>-1</i>	<i>2</i>	<i>-</i>
EBITDA margin	14.5%	14.4%		14.3%	17.2%	
Profit for the period	-94	-125	-24.8%	-141	82	-

* EBITDA calculation is presented in the Notes to MMK's Consolidated Financial Statements

- Growth in consolidated revenue for 2012 was largely driven by higher production volumes of finished steel products and improvements to product structure.
- Revenue decline in Q4 2012 of 11% q-o-q was due to a seasonal slump in demand on the Russian market and consequently lower volumes of finished products shipped from the Magnitogorsk facility in a weaker price environment.
- Cost of sales of finished products in 2012 increased 1.6% y-o-y largely due to an increase in amortization following the launch of new production capacity and change in work in progress, finished goods and goods in transit. Despite growing sales volumes raw materials used in 2012 decreased 2.9% y-o-y and totalled USD 5 621 million.
- The decline in the cost of sales in Q4 2012 of 8.4% q-o-q was due to lower production of finished steel products and also to a substantial fall in prices for key raw materials.
- Favourable price dynamics for key raw materials throughout Q4 2012 helped to continue lowering expenses on production of finished products. The cash cost of slab in Q4 2012 decreased 3% q-o-q to USD 374.
- MMK Group's operating profit for 2012 decreased by 27% y-o-y and totalled USD 266 million. This was due to the increase operating loss for the steel segment in Turkey in 2012 by USD 50 million and a decline in operating profit for the coal segment by USD 132 million.
- At the same time, operating profit in the Russian steel segment in 2012 grew by more than 20% y-o-y, and totalled USD 439 million. This was due to higher production volumes, lower cost of sales and improved product structure.
- MMK Group EBITDA for 2012 increased by 1.5% y-o-y to USD 1,356 million, providing a margin of 14.5% (0.2 percentage points more than in 2011). The main reason for the increase in EBITDA was profitability growth in the Russian steel segment (+13.1%).
- MMK Group EBITDA for Q4 2012 was USD 296 million.

- The net loss for Q4 2012 totalled USD 141 million compared to profit of USD 82 million in the previous quarter. This was due to negative affect of one-time factors totalling USD 72 million such as impairment of non-current assets of MMK Group, write offs of previously made expenses in PP&E and other factors.
- The net loss for 2012 amounted to USD 94 million.

BALANCE SHEET AND CASH-FLOW HIGHLIGHTS

- Effective cash-flow management policies allowed to reduce inventory volumes in 2012 by more than USD 100 million.
- In Q4 2012 accounts receivable / payable management gave an additional cash inflow in the amount USD 321 million, as calculated in the reporting currency.
- In 2012 MMK Group substantially reduced its debt. As of 31 December 2012 total debt was USD 3,880 million, down by USD 536 million from the figure a year previously of USD 4,416 million.
- MMK Group net debt fell by USD 474 million in 2012, and by USD 144 million in Q4 2012, to USD 3,518 million.
- The lower debt load and higher EBITDA helped MMK Group improve its Gross debt/EBITDA ratio to 2.86x at the end of 2012.
- As of 31 December 2012 cash and cash equivalents stood at USD 362 million (up 64% from the end of Q3 2012), together with liquid assets amounting to approximately USD 800 million
- Q4 2012 capital expenditure (capex) amounted to USD 153 million. In total for 2012 capex totalled USD 674 million, 42% less than in 2011. This decrease was due to the conclusion of the large-scale investment program implemented over the course of the previous five years.
- Good operational results, effective cash-flow management and lower investment volumes resulted in free cash flow generation of USD 511 million in 2012.

MMK GROUP OPERATIONAL HIGHLIGHTS

- Total crude steel output in 2012 was 13,037 thousand tonnes (+7% y-o-y).
- Production of finished steel products in 2012 amounted to 11,936 thousand tonnes (+7% y-o-y).
- MMK Group's total output of high-value-added (HVA) products in 2012 was 4,880 thousand tonnes (+20% y-o-y).

Products (thousand tonnes)	2012	2011	%	Q4 2012	Q3 2012	%
MMK Group crude steel	13,037	12,195	6.9%	2,969	3,357	-11.6%
MMK crude steel	12,247	11,724	4.5%	2,931	3,187	-8.0%
MMK Metalurji crude steel	790	471	67.8%	38	170	-77.6%
MMK Group steel products	11,936	11,158	7.0%	2,783	3,072	-9.4%
MMK steel products	11,029	10,646	3.6%	2,629	2,858	-8.0%
MMK-Metiz steel products*	493	465	6.2%	114	129	-11.7%
MMK Metalurji steel products	900	505	78.2%	152	211	-28.0%
<i>MMK Group HVA products</i>	<i>4,880</i>	<i>4,063</i>	<i>20.1%</i>	<i>1,213</i>	<i>1,276</i>	<i>-4.9%</i>
<i>MMK Group HVA products share</i>	<i>41%</i>	<i>36%</i>		<i>44%</i>	<i>40%</i>	
Belon coal concentrate	3,325	3,216	3.4%	803	985	-18.5%
Iron ore	4,114	4,824	-14.7%	938	1,021	-8.1%

* - including the processing of MMK products

MMK steel operations in Russia

- Finished steel products output at MMK totalled 11,029 thousand tonnes in 2012, 3.6% higher than total output in 2011. This was due to higher production volumes for long, cold-rolled and galvanized products.
- In 2012 production of HVA products increased 15% y-o-y. This growth was due to an increase in the production of cold-rolled, galvanized and colour-coated products.
- Sales to the domestic market increased by 17.7% in 2012 and accounted for 77% of all shipments.
- MMK's domestic sales were highly diversified. The share of the largest clients did not exceed 4% of total sales volumes to the Russian market, and the share of the top ten consumers comprised approximately 17%.
- The general recovery in the construction sector in 2012 drove an increase in sales of metal hardware in 2012 by 6.2% from 2011.
- MMK's export shipments declined in 2012 by 25.5% y-o-y, and amounted to 2,580 thousand tonnes.

MMK steel operations in Turkey

- Finished steel products output at MMK Metalurji in 2012 totalled 900 thousand tonnes, nearly 80% more than in 2011.
- Production of HVA products at MMK Metalurji in 2012 increased by 90% y-o-y and amounted to 599 thousand tonnes. The share of HVA products in total output was 67%.
- Revenues from the Turkish steel segment in 2012 amounted to USD 778 million, 70% more than in 2011. Revenues from the Turkish steel segment in Q4 2012 totalled USD 141 million.
- In November 2012 management decided to halt steel smelting and the hot-rolling mill due to continued unfavourable market conditions in Turkey. In 4Q 2012 the EBITDA loss declined by 42% q-o-q and amounted to USD 18 million.
- At present the galvanizing and colour-coating units in Turkey continue to operate at near full capacity.

BELON OPERATIONAL HIGHLIGHTS – MMK GROUP COAL SEGMENT

- Production of coking coal concentrate in 2012 amounted to 3,325 thousand tonnes, up 3.4% y-o-y.
- Production of coking coal concentrate in Q4 2012 amounted to 803 thousand tonnes, down 18.5% from Q3 2012. This decline was a result of planned maintenance work carried out during the quarter.
- Sales revenues from the coal segment in 2012 were down 28% y-o-y and totalled USD 469 million. This decrease was due to the decline in coal prices on world markets. Revenues from the coal segment in Q4 2012 totalled USD 105 million.
- Despite lower production volumes and the continuing decline in prices for coking coal concentrate, EBITDA for this segment remained positive for Q4 2012 and totalled USD 12 million.
- Belon's EBITDA for 2012 was USD 86 million for a margin of 18%.

MARKET OUTLOOK

In Q1 2013 production volumes and sales of finished metal products increased from Q4 2012 due to the seasonal pickup in commercial activity and restocking of traders' inventories.

The thick-plate Mill 5000 has been running at high capacity utilization rate, and the volume of finished products produced at the cold-rolling Mill 2000 continues to increase.

Nonetheless, the slow rebound in steel prices and the growth in iron ore prices could negatively impact MMK Group's results in Q1 2013.

* * *

MMK management will hold conference call on April 12, 2013 at 3.00 pm Moscow time, 12.00 noon London time, 7.00 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 here: http://eng.mmk.ru/for_investor/financial_statements/

* * *

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 2012 the company produced 13 million tonnes of crude steel and 11.9 million tonnes of commercial steel products. MMK Group has sales in 2012 of USD 9,328 million and EBITDA of USD 1,356 million.

Contacts:

Investor Relations Department:

Andrey Serov, Head of IR
tel.: +7 (3519) 24-52-97
E-mail: serov.ae@mmk.ru

Communications Department:

Kirill Golubkov
Tel: +7 (916) 675 3081
E-mail: kgolubkov@mmk.ru

Polina Rudyayeva
Tel: +7 (916) 810-8918
E-mail: rudyayeva.pi@mmk.ru