



Magnitogorsk Iron and Steel Works

April 21, 2011

MMK Group* Operational Trading Update for Q1 2011

MMK Group operational highlights

Production, th. tonnes						
Production	Q1'11	Q4'10	%	Q1'11	Q1'10	%
Crude steel	3,092	2,765	12%	3,092	2,732	13%
MMK steel products	2,707	2,508	8%	2,707	2,453	10%
MMK-Metiz steel products **	123	120	2%	123	104	18%
MMK-Atakas steel products	28	45	-37%	28	18	56%
<i>MMK Group HVA products</i>	1,080	1,079	0%	1,080	842	28%
<i>MMK Group HVA products share</i>	39%	42%	-	39%	34%	-
Belon coal concentrate, incl.:	766	842	-9%	766	846	-9%
Iron ore	1,277	1,218	5%	1,277	1,048	22%

- Crude steel output in Q1 2011 amounted to 3,092 th. tonnes which is 12% higher q-on-q.
- MMK finished steel products output in Q1 2011 amounted to 2,707 th. tonnes and increased by 8% q-on-q.
- MMK-Metiz finished steel products output in Q1 2011 amounted to 123 th. tonnes and increased by 2% q-on-q.
- Total MMK Group finished steel products output in Q1 2011 amounted to 2,735 th. tonnes, 11% higher y-on-y.
- The level of MMK Group higher value-added products (HVA) output in Q1 2011 stayed at the level of Q4 2010 and increased by 28% y-on-y.
- Coking coal concentrate output in Q1 2011 amounted to 766 th. tonnes.
- In-house production of iron ore in Q1 2011 amounted to 1,277 th. tonnes which is 5% higher q-on-q.

This year the seasonal factor hasn't influenced MMK's domestic shipments volumes. This was to a large extent possible due to MMK strengthening positions in segments which are the least exposed to seasonal demand volatility. MMK also continues increasing HVA products volumes which allows the company to strengthen its positions in the domestic market by means of the import replacement strategy.

- MMK average domestic steel price grew by 17% q-on-q, while average export price grew by 14% for the same period.

* - OJSC «MMK» - hereafter MMK, with subsidiaries – MMK Group

** - incl. products made from MMK steel

Steel segment

MMK

Production, th. tonnes						
Production	Q1'11	Q4'10	%	Q1'11	Q1'10	%
Cast iron	2,471	2,363	5%	2,471	2,236	11%
Crude steel	3,092	2,765	12%	3,092	2,732	13%
Finished products output, incl.:	2,707	2,508	8%	2,707	2,453	10%
Slabs and billets	45	11	-	45	0	-
Long products	335	315	6%	335	210	59%
Flat hot-rolled products	1,396	1,246	12%	1,396	1,508	-7%
High value-added (HVA) products, incl.:	931	936	-1%	931	735	27%
Thick plate (mill 5000)	307	294	4%	307	176	74%
Flat cold-rolled products	272	284	-4%	272	251	8%
Downstream products, incl.:	352	358	-2%	352	307	15%
<i>Tin plate</i>	40	42	-5%	40	59	-32%
<i>Galvanized steel</i>	141	166	-16%	141	120	17%
<i>Colour-coated steel</i>	56	46	21%	56	38	46%
<i>Band</i>	24	26	-9%	24	26	-8%
<i>Formed section</i>	69	52	32%	69	50	38%
<i>Pipes</i>	18	25	-27%	18	14	27%
Shipments by market:						
<i>Domestic shipments*</i>	1,898	1,932	-2%	1,898	1,564	21%
<i>Export shipments</i>	809	576	40%	809	889	9%
Average prices, USD						
	Q1'11	Q4'10	%	Q1'11	Q1'10	%
Average price per ton:						
Slabs and billets	536	435	23%	536	407	32%
Long products	687	601	14%	687	536	28%
Flat hot-rolled products	661	571	16%	661	479	38%
High value-added (HVA) products, incl.:	945	812	16%	945	740	28%
Thick plate (mill 5000)	1,082	913	18%	1,082	820	32%
Flat cold-rolled products	743	640	16%	743	555	34%
Downstream products, incl.:	982	864	14%	982	845	16%
<i>Tin plate</i>	1,085	975	11%	1,085	934	16%
<i>Galvanized steel</i>	939	831	13%	939	813	16%
<i>Colour-coated steel</i>	1,172	1,097	7%	1,172	1,216	-4%
<i>Band</i>	974	811	20%	974	699	39%
<i>Formed section</i>	895	779	15%	895	681	31%
<i>Pipes</i>	827	708	17%	827	597	39%
Average price per ton, incl.:	760	664	14%	760	562	35%
<i>Domestic sales*</i>	828	705	17%	828	624	33%
<i>Export sales</i>	601	528	14%	601	453	33%

*- including shipments to CIS

- Finished steel products output in Q1 2011 rose by 8% q-on-q and amounted to 2,707 th. tonnes. Domestic shipments stayed almost flat while export shipments increased by 40% q-on-q. This growth was due to traders' intent to replenish stocks ahead of season opening in export markets. Despite the significant growth of export shipments in Q1 2011, the share of domestic shipments remains impressive and exceeds 70% (77% in Q4 2010).
- HVA products output in Q1 2011 remained at the level of Q4 2010 and amounted to 931 th. tonnes.
- Export slab shipments growth was driven by favourable market conditions, which allowed to increase slab production volumes and sales.
- Significant increase in flat hot-rolled products shipments in Q1 2011 (12% q-on-q) is driven by export shipments growth, where the share of flat hot-rolled products is about 80%.

- Long steel shipments in Q1 2011 grew by 6% q-on-q and 59% y-on-y thanks to some recovery of construction.
- Commercial thick plate output at Mill 5000 amounted to 307 th. tonnes in Q1 2011 which is 4% higher q-on-q. The fluctuation is driven by products mix changes. Mill 5000 operates at full capacity, providing pipe manufacturers with rolled products for large-diameter pipes output.
- Formed sections production in Q1 2011 rose by 32% q-on-q due to significant growth of demand from railroad carriage works, which implement the programme of the railroad cars fleet renewal.
- Q1 2011 average realized price per ton of steel products amounted to \$760, which is 14% higher q-on-q. The average realized price growth was due to growing domestic and export demand for MMK steel products, increasing share of HVA products in the production portfolio and passing on increasing costs to customers.

MMK-Metiz

Production, th. tonnes						
Production	Q1`11	Q4`10	%	Q1`11	Q1`10	%
Finished steel products, incl.:	123	120	2%	123	104	18%
<i>Products from MMK steel</i>	121	118	3%	121	102	19%

- MMK-Metiz (MMK Group hardware producer which processes MMK long steel products) is a leading hardware producer in Russia. The company's product mix includes wires, railroad and construction fastening, calibrated steel products, cold-rolled band, bimetal steel products, welded meshes and nettings, steel ropes, electrodes for welding, etc.
- MMK-Metiz finished steel products output amounted to 123 th. tonnes in Q1 2011 which is at the level of Q4 2010. This is due to stable demand of major hardware consuming industries (steelmaking and car-making).

MMK-Atakas

Production, th. tonnes						
Production	Q1`11	Q4`10	%	Q1`11	Q1`10	%
Finished steel products, incl.:	28	45	-37%	28	18	56%

- Finished steel products output at MMK-Atakas in Q1 2011 amounted to 28 th. tonnes.
- MMK plans to produce about 150 th. tonnes of steel products in Q2 2011 and above 800 th. tonnes in 2011 at its production facilities in Turkey.

Mining segment

COAL

Belon

Production, th. tonnes						
Production	Q1`11	Q4`10	%	Q1`11	Q1`10	%
Coking coal	1,295	1,319	-2%	1,295	1,353	-4%
<i>Mined</i>	1,113	1,181	-6%	1,113	1,201	-7%
<i>Purchased</i>	182	138	32%	182	152	18%
Coking coal concentrate	766	842	-9%	766	846	-9%

- Production of coking coal concentrate amounted to 766 th. tonnes in Q1 2011 which is 9% lower q-on-q. The decrease is attributable to planned change of walls which is scheduled for Q1-Q2 2011.

At present Belon is one of key suppliers of Zh-grade coals in the Russian market with the 10% market share in 2010.

At the end of 2010 MMK completed sale of the steam coal production business at Belon for \$285 mln within the strategy of MMK to dispose of non-core assets.

IRON ORE

Production, th. tonnes						
Production	Q1'11	Q4'10	%	Q1'11	Q1'10	%
Iron ore (consumed at MMK), incl.:	1,277	1,218	5%	1,277	1,048	22%
MMK iron ore base at Bakal	346	344	1%	346	337	3%
MMK iron ore base in Magnitogorsk	395	372	6%	395	375	5%
Slag processing	536	501	7%	536	336	60%

- Captive iron ore consumption increased by 5% q-on-q and 22% y-on-y. The growth is driven by revamping of slag processing facility Amcom-1 and commissioning of Amcom-2 and Amcom-3 in 2010.
- Consumption of iron ore coming from Bakal amounted to 346 th. tonnes in Q1 2011, which is flat q-on-q.
- Consumption of iron ore produced at MMK base in Magnitogorsk amounted to 395 th. tonnes in Q1 2011 which is 6% higher q-on-q.
- Output of iron-containing charge from slag processing increased by 7% in Q1 2011 q-on-q and equaled to 536 th. tonnes. The 60% y-on-y growth is driven by commissioning of new slag processing facilities at MMK.

According to the programme of iron ore production expansion MMK in-house output of iron ore is expected to grow from 4.7 mln tonnes in 2010 to 7.3 mln tonnes by 2013.

Developments at MMK key investment projects

Mill 5000

Mill 5000 is one of the key investment projects of MMK contributing to increase of HVA products share in MMK production portfolio and to growth of the company's presence in the domestic market in Russia. In 2010 Mill 5000 reached full capacity and currently runs at 100% utilization rate.

Mill 2000

MMK continues construction of its new cold rolling complex (Mill 2000) in order to benefit from the growing market of high-strength steel types. The complex will use state-of-the-art technologies to produce high quality cold-rolled and galvanized steel products for inner and outer car-body parts as well as for use in white-goods production and in construction industry. Mill 2000 will produce 2 mln tons of finished steel products per year, including 700 th. tonnes of galvanized steel.

Phase 1 will be commissioned in July 2011 including cold rolling mill and pickling line, while full-cycle production at the facility will start by mid-2012. Construction and engineering works are advancing in line with the schedule and currently employ 3,000 specialists. At the moment construction of the shop is 100% complete, all the equipment of Phase 1 has been installed and commissioning works are in progress. 10% of phase 2 equipment has already been installed.

MMK-Atakas

In order to strengthen the footprint in the Middle East market MMK completes construction of MMK-Atakas steel-making complex in Turkey.

March 2011 saw commissioning of an electric arc furnace facility in Iskenderun. The hot-rolled mill construction is being completed and expected to be commissioned in July. It is planned that all the production facilities of MMK-Atakas complex in Iskenderun and in Istanbul be commissioned in 2011.

Acquisition of 50 percent minus one share of MMK-Atakas from the Atakas Family is expected to be completed by November 01, 2011 which will allow to fully consolidate company's financial results.

Outlook

MMK intends to increase finished steel output by 20% in 2011 compared to 2010 (incl. 15% growth at MMK operational site in Russia). Such growth is driven by increasing demand for MMK products from major steel consuming sectors in Russia.

MMK Group Q1 2011 results under IFRS will be published in the beginning of June 2011.

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About MMK

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 realises MMK-Atakas project in Turkey with annual capacity of 2.3 mln tons of flat steel. In 2010 MMK Group produced 11.4 mln tons of crude steel and 10.4 mln tons of commercial steel products. MMK Group revenue in 2010 stood at USD 7.719 bn, EBITDA at USD 1.606 bn, profit for the period - USD 232 mln