



Magnitogorsk Steel (MMK)

Q1 2013 IFRS Financial Results Presentation



Q1 2013 Financials

- Revenue USD 2,283 mln – 10.4% increase q-o-q
- EBITDA USD 256 mln – 13.5% decrease q-o-q
- EBITDA margin – 11.2%
- Free Cash Flow (FCF) – USD 44 mln

Q1 2013 Operational Figures

- MMK Group finished steel products output – 2,844 th. tonnes, 3% up q-o-q
- High value added (HVA) products output - 1,355 th. tonnes, 11.7% up q-o-q
- Share of HVA products in sales, MMK Group – 48%

Growth Output Driven by HVA Products



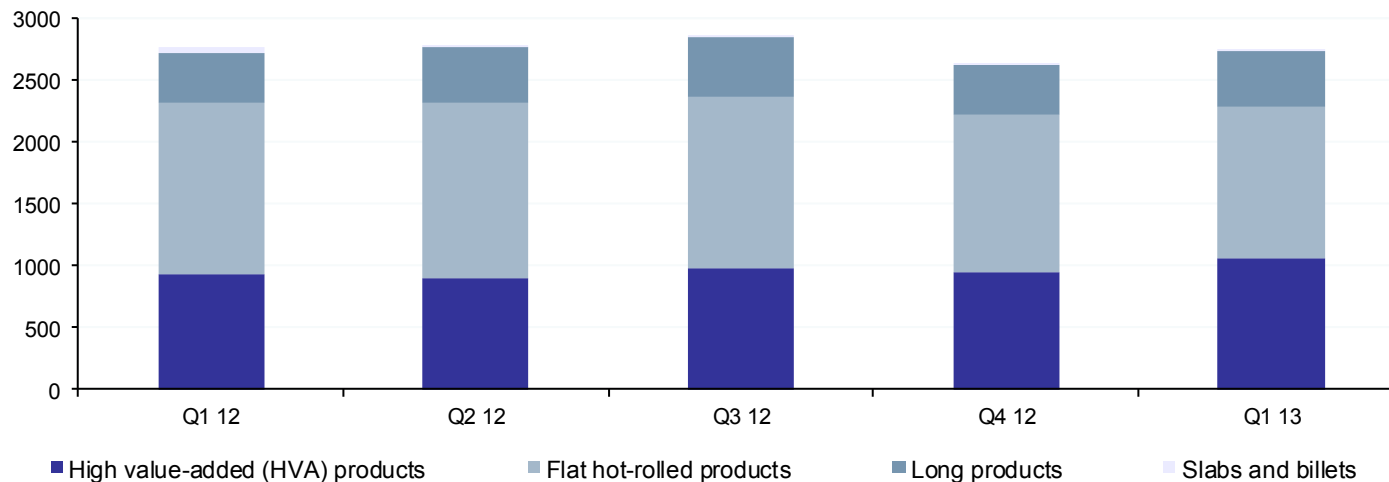
- MMK Group finished products output in Q1 2013 rose 3% q-o-q and amounted to 2.8 mln tonnes
- Q1 2013 MMK Group HVA products output amounted to 1,355 ths. tonnes, 11.7% higher q-o-q
- Belon's production of coking coal concentrate in Q1 2013 was 669 ths. tonnes, 16.7% lower q-o-q

Key operational indicators

	Q1 '13	Q4 '12	%	Q1 '13	Q1 '12	%
Cast iron	2 426	2 514	-4%	2 426	2 479	-2%
Crude steel incl.	3 075	2 969	4%	3 075	3 417	-10%
MMK	3 075	2 931	5%	3 075	3 117	-1%
MMK Metalurji	0	38	-	0	300	-
OJSC MMK Finished products output	2 744	2 629	4%	2 744	2 766	-0,8%
MMK-Metiz finished products*	134	114	18%	134	119	13%
MMK Metalurji finished products*	178	152	17%	178	253	-30%
Belon coking coal concentrate	669	803	-17%	669	776	-14%

* - incl. made from MMK's steel

OJSC MMK finished products sales are supported at high level, th. tonnes

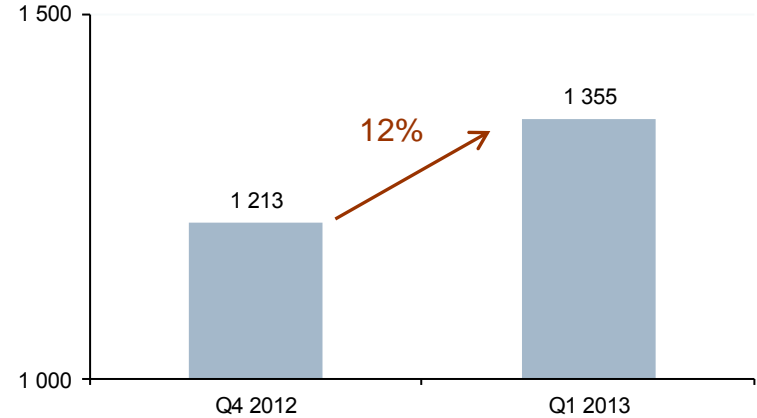


Strong Exposure to Domestic Market

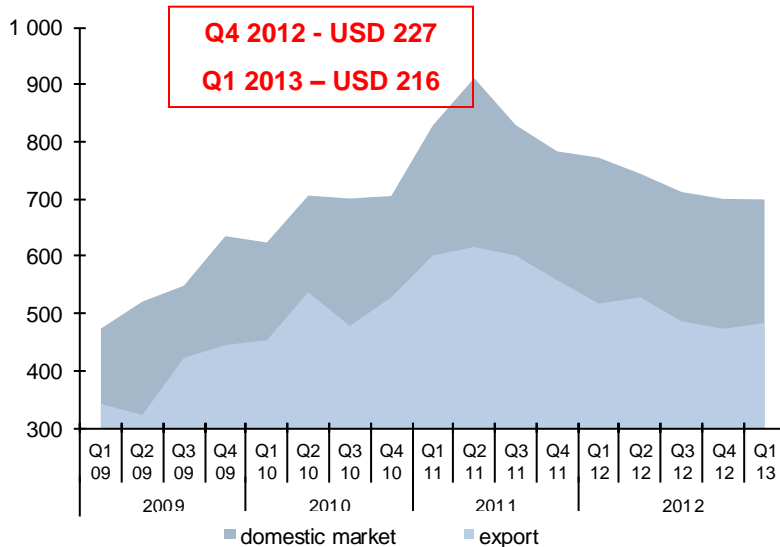


- MMK consider domestic market to be of higher priority for the company due to geographical proximity and better product mix
- MMK Q1 2013 share of domestic sales was 80%, providing 85% of revenue
- Higher share of HVA products in domestic shipments allows MMK to have price premium from domestic sales. Q1 2013 average steel products price per tonne on domestic market was USD 699, on export markets – USD 483

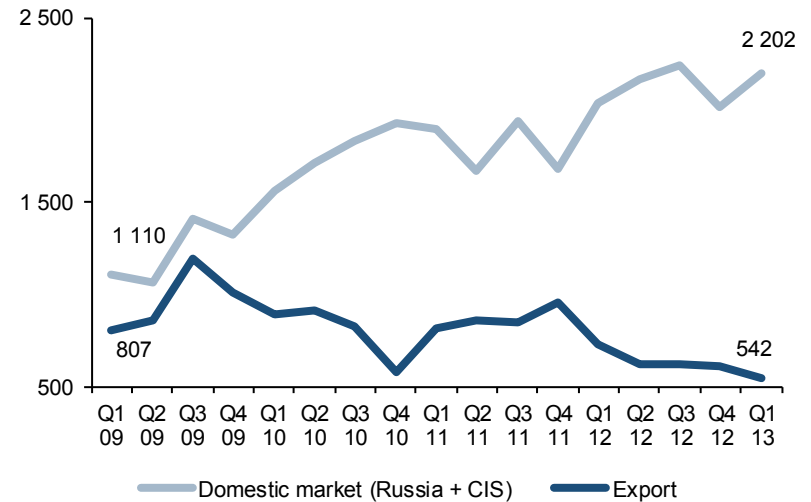
MMK Group HVA products output growth, th. tonnes



Domestic market price premium, USD



OJSC MMK sales by market, ths. tonnes



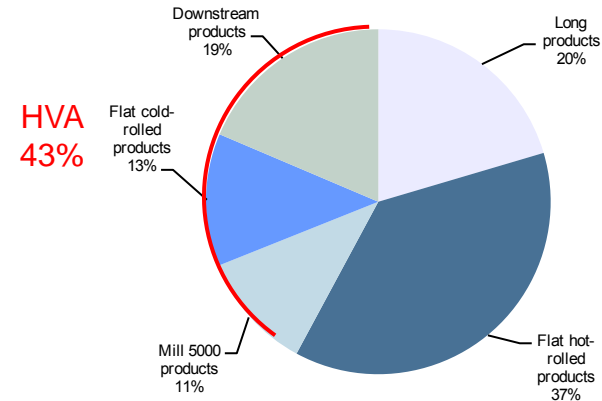
OJSC MMK Domestic Sales Structure



- Q1 2013 domestic shipments amounted to 2,202 ths. tonnes (80% of total shipments)
- Shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 62% of sales
- MMK’s largest clients remain pipe-makers, car manufactures, construction and heavy machinery companies
- HVA products account for 43% of domestic shipments in Q1 2013

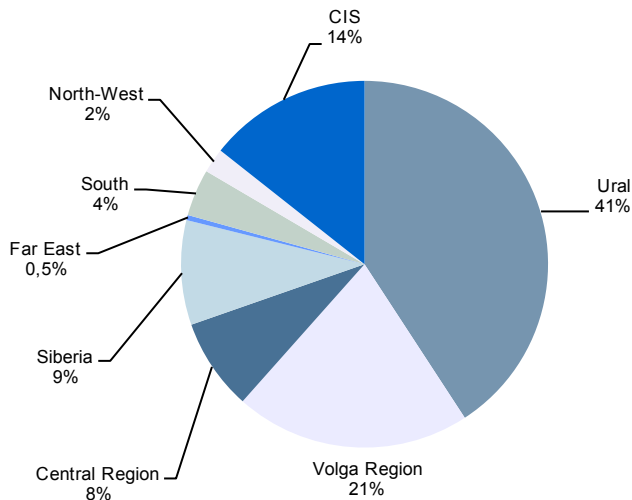
Domestic sales of finished products

Q1 2013



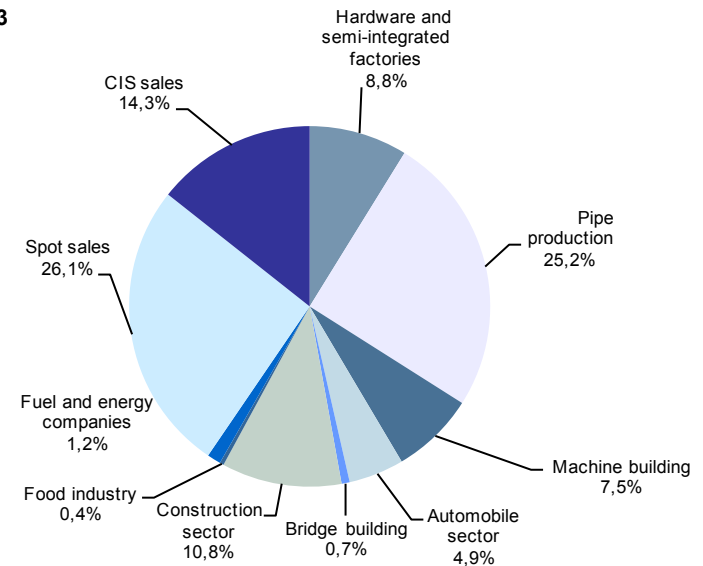
Domestic sales by region

Q1 2013



Domestic sales by industry

Q1 2013



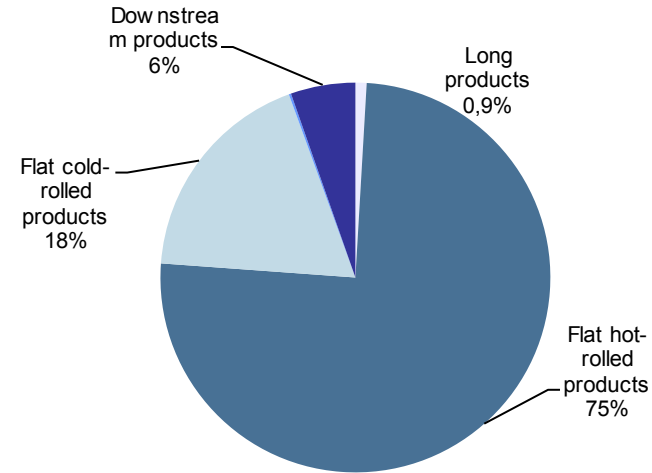
OJSC MMK Presence on Key Export Markets



- Q1 2013 export shipments amounted to 542 ths. tonnes (20% of total shipments)
- Exports accounted for 15% in Q1 2013 revenues
- Middle East, Europe, Asia and Far East remain the largest export markets of MMK
- Hot-rolled steel remains the main export product, accounting for 75% of export sales in 2012

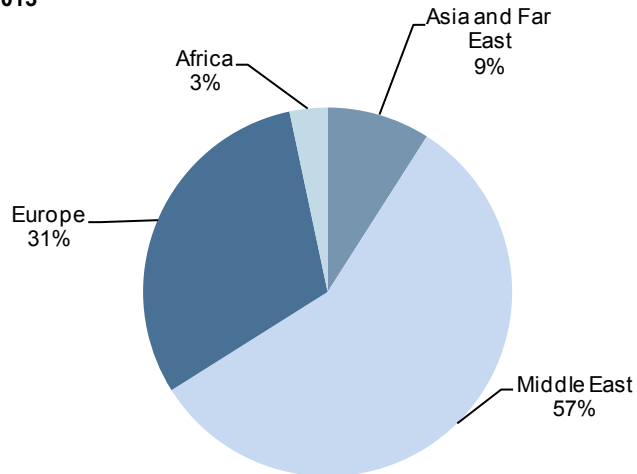
Export shipments by product type

Q1 2013

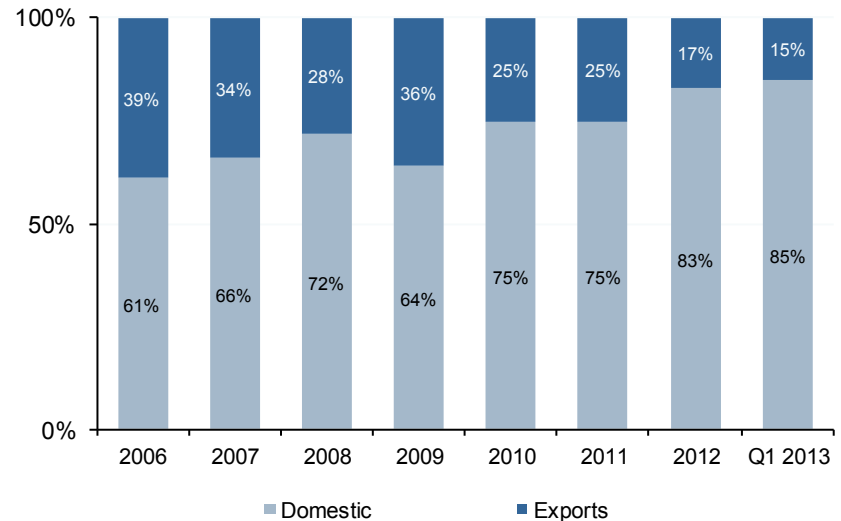


Export shipments by region

Q1 2013



Share of export shipments in revenue



MMK Group Q1 2013 Financial Highlights

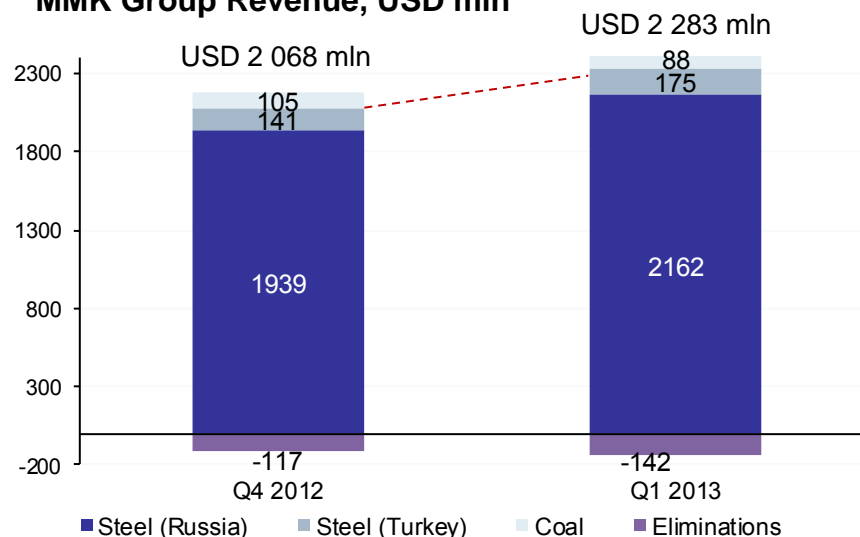


- Sales in Q1 2013 increased 10,4% q-o-q and totaled USD 2,283 mln. At the same time Steel (Russia) segment revenue showed faster growth rate of 11,5%
- Cost of sales in Q1 2013 grew by 12.4% q-o-q and equaled USD 1,968 mln. The growth was mostly due to increase of world Iron ore indexes at the end of 2012 – early 2013
- MMK Group Q1 2013 EBITDA decreased 13,5% q-o-q and equaled USD 256 mln, securing EBITDA margin of 11.2%

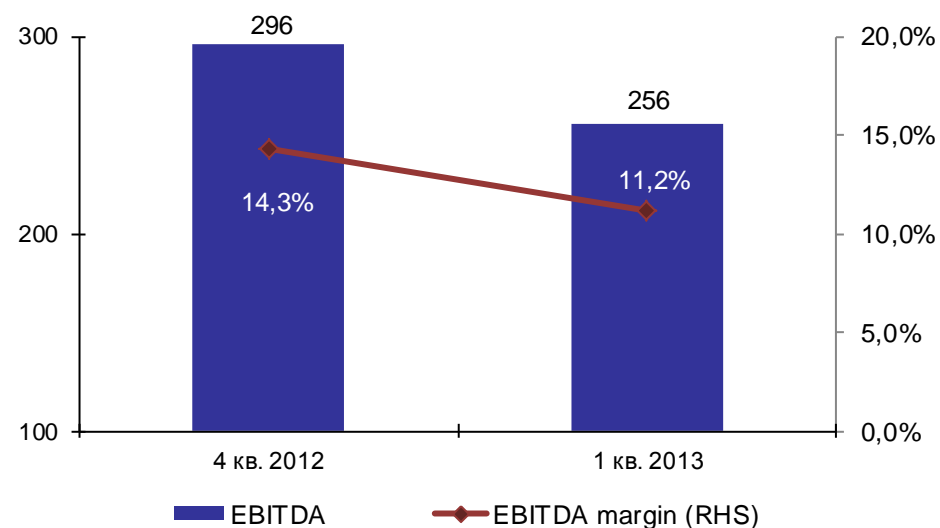
MMK Group financial highlights, USD mln

	Q1 2013	Q4 2012	+/-	%
Revenue	2 283	2 068	215	10,4%
Cost of sales	-1 968	-1 751	-217	12,4%
Operating profit	1	-9	10	-
EBITDA	256	296	-40	-13,5%
<i>EBITDA margin</i>	<i>11,2%</i>	<i>14,3%</i>		

MMK Group Revenue, USD mln



EBITDA and EBITDA margin, USD mln

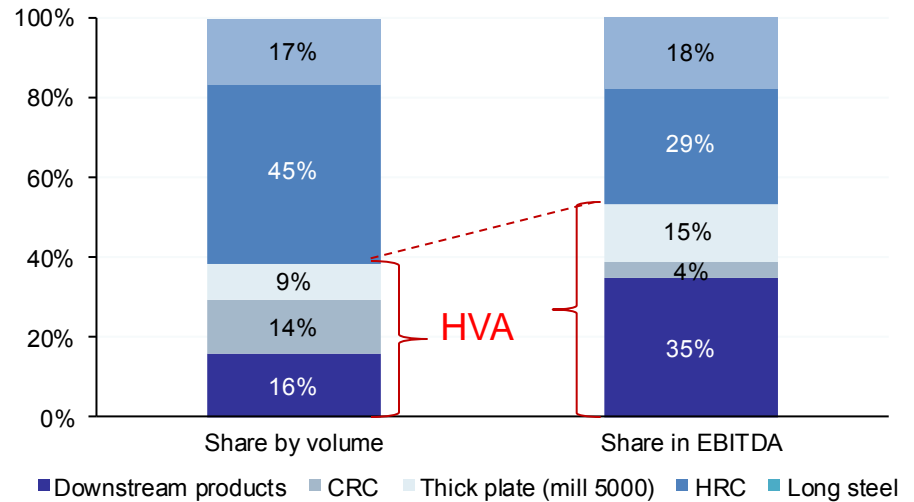


Key Performance Indicators Analysis

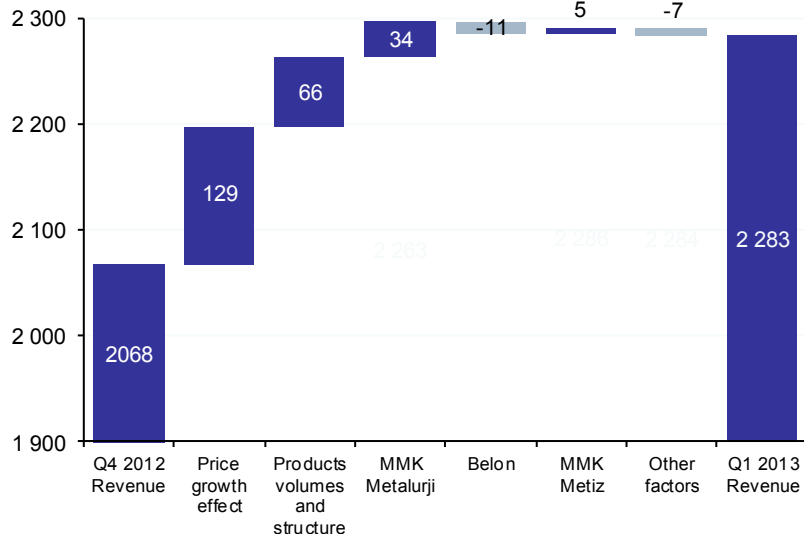


- The main MMK Group Q1 2013 revenue growth driver was increase of production volumes and average steel prices (due to product mix improvement)
- HVA products are the major contributor to MMK Group EBITDA
- Q1 2013 cash-cost of slab increased mainly due to growing iron ore prices and amounted to USD 399

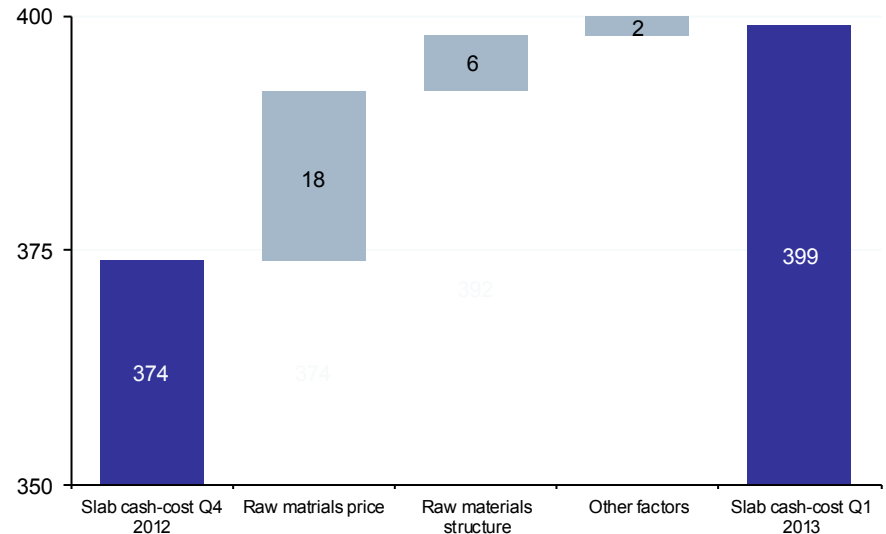
HVA products Contribution to OJSC MMK EBITDA in Q1 2013



MMK Group Revenue Analysis, USD mln



Cash-cost of slab evolution, USD/t



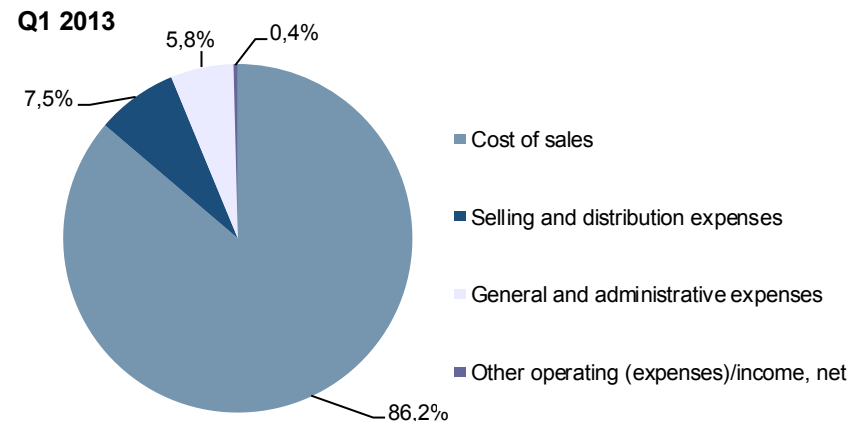
MMK Group Operating Costs and Cost of Sales Structure



MMK Group operational costs, USD mln

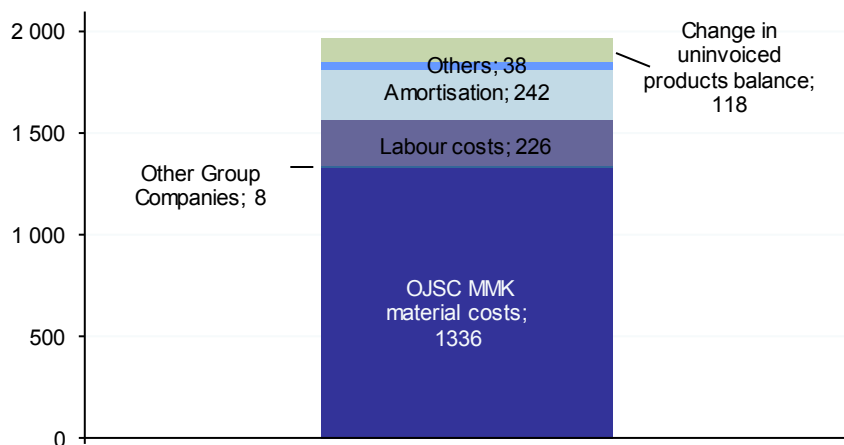
	Q1 13	Q4 12	+/-	%
Cost of sales	1 968	1 751	217	12,4%
Selling and distribution expenses	172	141	31	22%
General and administrative expenses	133	152	-19	-13%
Other operating (expenses)/income, net	9	33	-24	-73%
Total operating costs	2 282	2 077	205	10%

MMK Group operational costs



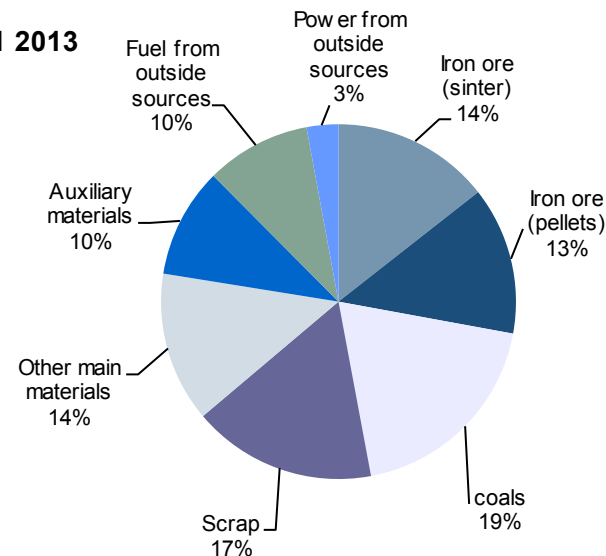
Cost of sales structure, USD mln

Q1 2013



OJSC MMK material costs structure

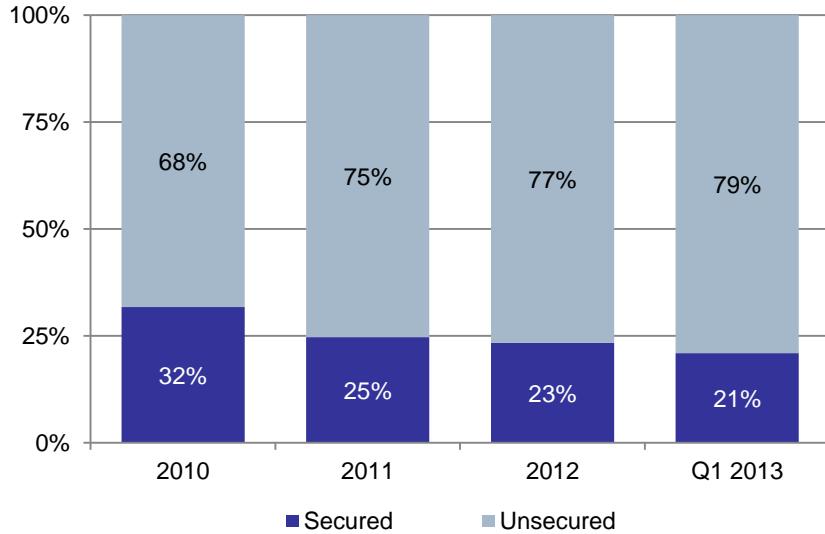
Q1 2013



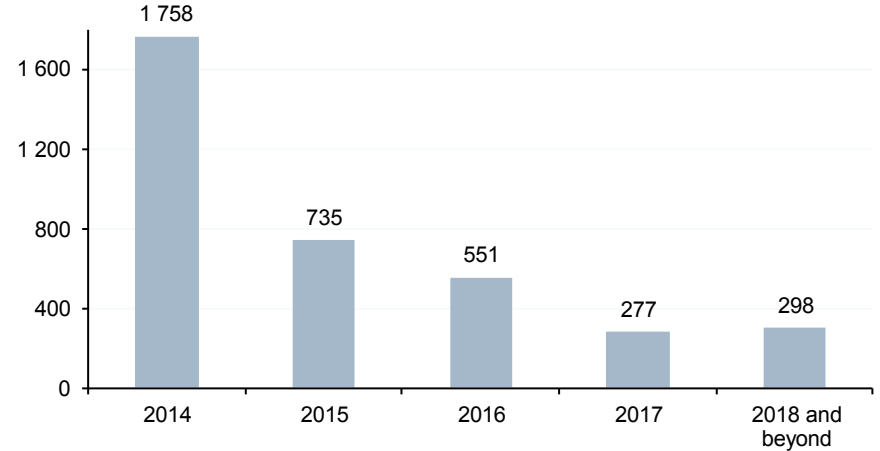
MMK Group Debt Profile



Debt structure dynamics by security



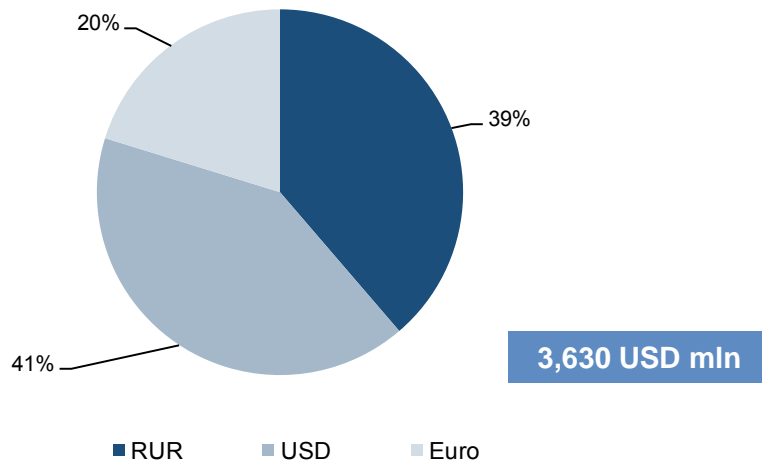
Debt maturity profile*, USD mln



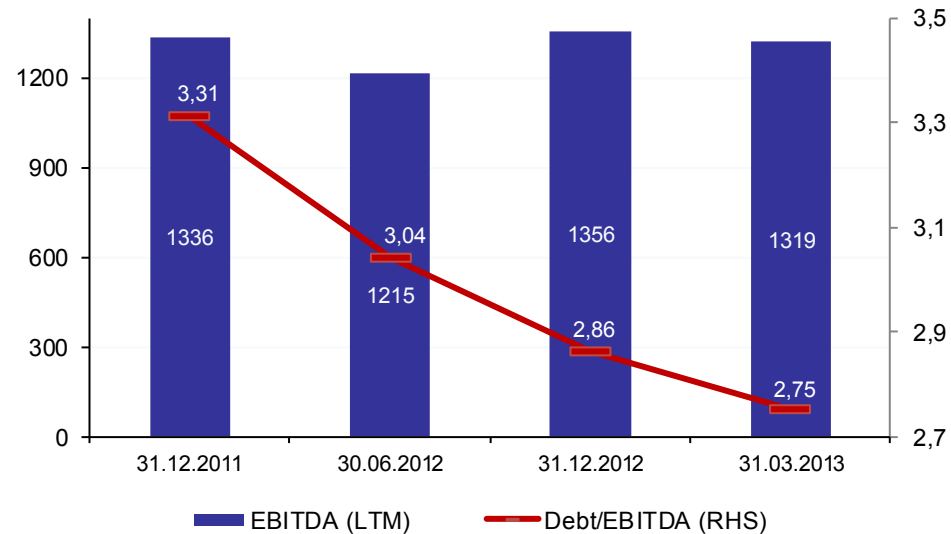
* Interest rate SWAP not incl.

Debt structure by currency

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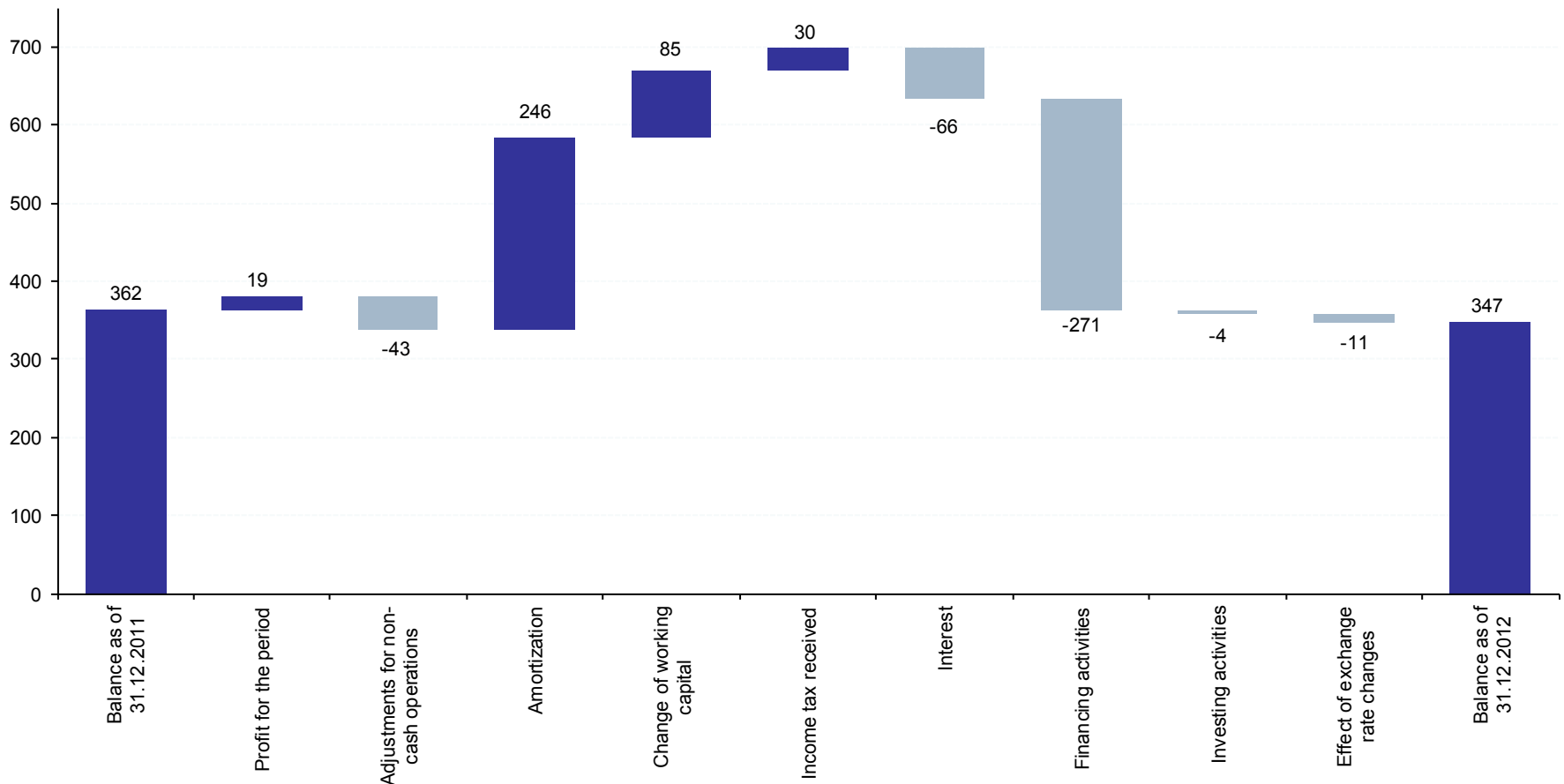
Effective Debt control, USD mln



MMK Group Cash Flow, USD mln



- Capex in Q1 2013 amounted to USD 131 mln, (14.4% down q-o-q, and 43% down y-o-y)
- Working capital optimization allowed the company to get additional USD 85 mln of cash flow in Q1 2013
- Q1 2013 FCF equaled to USD 44 mln





- Key beneficiary of steel market recovery
- Growing volumes and share of HVA products to secure sustainably high efficiency
- Direct exposure to growing industry sectors in the domestic market – auto manufacturing, machine-building and construction sectors
- Focus on specialty steel products to replace imports in Russia and to enjoy domestic market price premium



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