



Magnitogorsk Steel (MMK)

Q2 and H1 2012 IFRS Financial Results Presentation



Q2 2012 Financials

- Revenue USD 2,516 mln – 4% growth q-o-q
- Operating profit USD 95 mln – almost 3 times higher q-o-q
- EBITDA USD 369 mln – 26% growth q-o-q
- EBITDA margin – 14.7%, 2.6 percentage points growth q-o-q

Q2 2012 Key Operational Figures

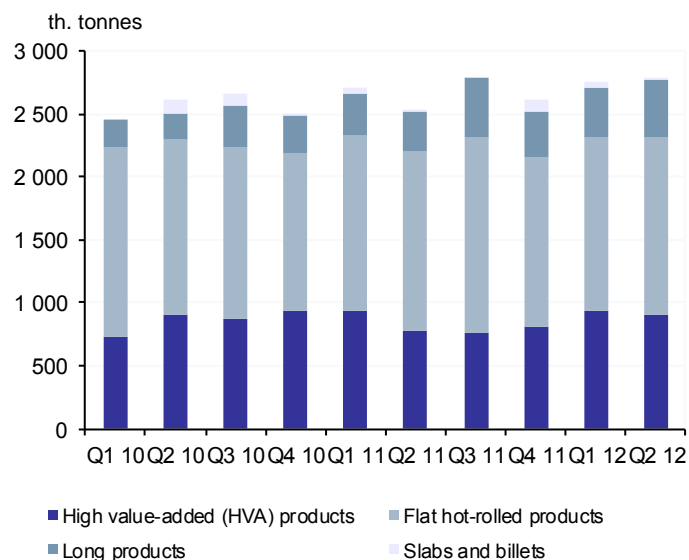
- MMK Group finished steel products output – 3,062 th. tonnes, 1.4% growth q-o-q
- High value added (HVA) products output - 1,209 th. tonnes, 1% growth q-o-q
- Share of HVA products in sales, MMK Group – 39%
- Share of domestic sales in revenue – 83%

Growth Output Driven by HVA Products



- MMK Group finished products output in H1 2012 rose 14% y-o-y and amounted to 6.1 mln tonnes
- H1 2012 MMK Group HVA products output amounted to 2,392 ths. tonnes, 17% higher y-o-y
- Belon's production of coking coal concentrate in H1 2012 was 1,537 ths. tonnes, 3% lower q-o-q

OJSC MMK finished products sales



Key operational indicators	Q2 '12	Q1 '12	%	H1 12	H1 11	%
Cast iron	2 557	2 479	3%	5 037	4 780	5%
Crude steel incl.	3 294	3 417	-4%	6 129	5 884	4%
MMK	3 012	3 117	-3%	6 129	5 884	4%
MMK Metalurji	282	300	-6%	582	21	x28
OJSC MMK Finished products output incl.	2 776	2 766	0,4%	5 542	5 234	6%
Slabs and billets	0,7	45	-98%	46	55	-16%
Long products	451	401	12%	852	648	31%
Flat hot-rolled products	1 416	1 380	3%	2 797	2 818	-1%
High value-added (HVA) products	908	939	-3%	1 847	1 713	8%
<i>Thick plate (Plate Mill 5000)</i>	195	248	-21%	444	550	-19%
<i>Flat cold-rolled products</i>	304	316	-4%	621	481	29%
<i>Downstream products*</i>	409	374	9%	783	682	15%
MMK-Metiz finished products	142	110	29%	251	237	6%
MMK Metalurji finished products	284	253	12%	538	21	x28
Belon coking coal concentrate	761	776	-2%	1 537	1 486	3%

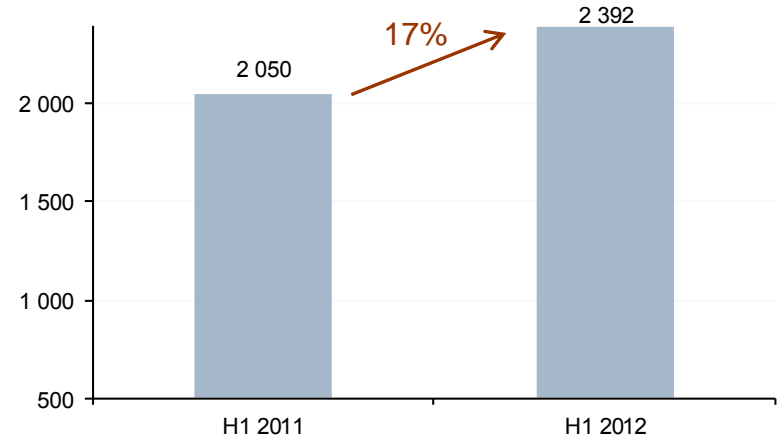
* - galvanized steel products, colour-coated steel products, formed section, band, tin plate, etc.

Strong Exposure to Domestic Market

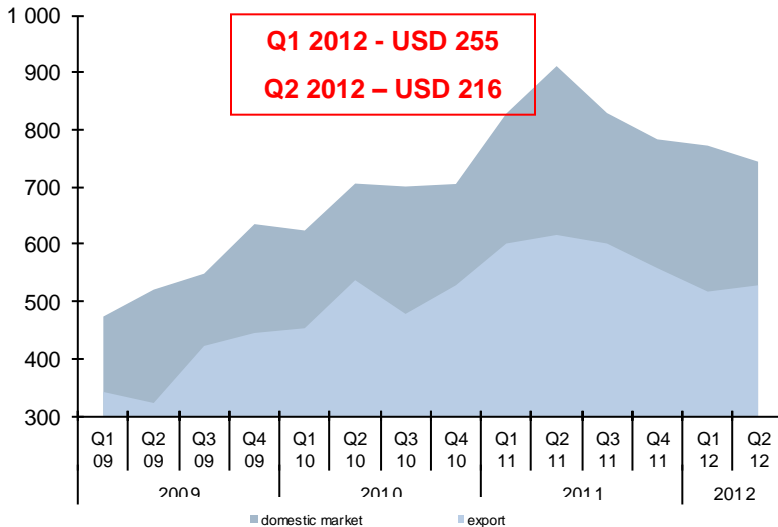


- While retaining presence in key export markets, MMK continues to supply end-customers in Russian and the CIS
- Q2 2012 share of domestic sales was 78%, providing 83% of total revenue
- HVA products satisfy domestic market demand
- Higher share of HVA products in domestic shipments allows MMK to have price premium from domestic sales. Q2 2012 average steel products price per tonne on domestic market was USD 744, on export markets – USD 528

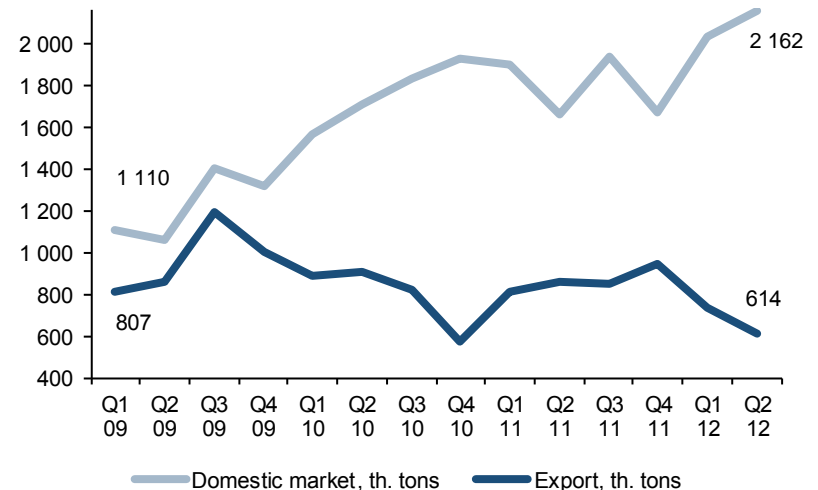
MMK Group HVA products output growth, th. tonnes



Domestic market price premium, USD



Sales by market, ths. tonnes



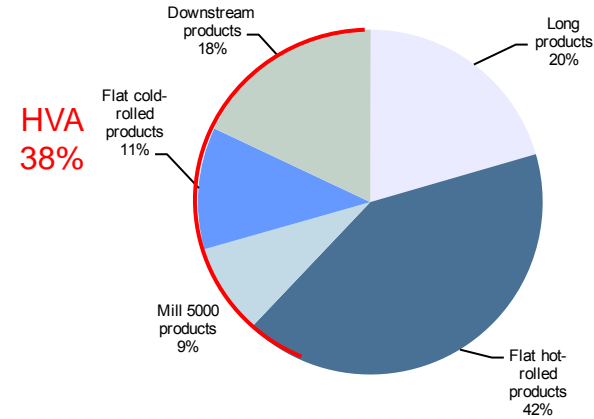
OJSC MMK Domestic Sales Structure



- Q2 2012 domestic shipments amounted to 2,162 ths. tonnes (78% of total shipments)
- In Q2 2012 shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 64% of sales
- MMK’s largest clients remain pipe-makers, car manufacturers, construction and heavy machinery companies
- HVA products account for 38% of domestic shipments in Q2 2012

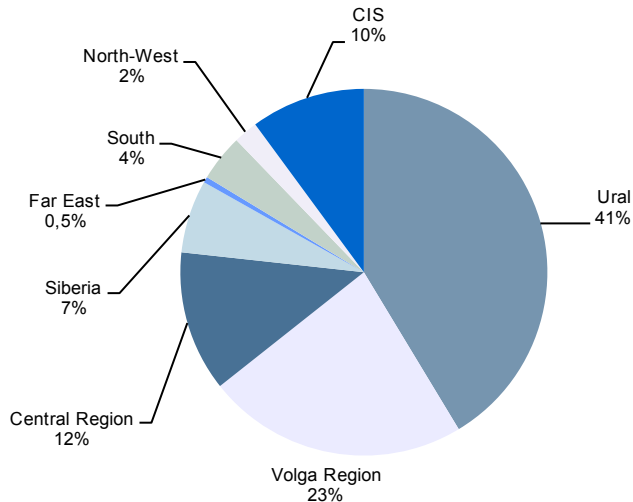
Domestic sales of finished products

Q2 2012



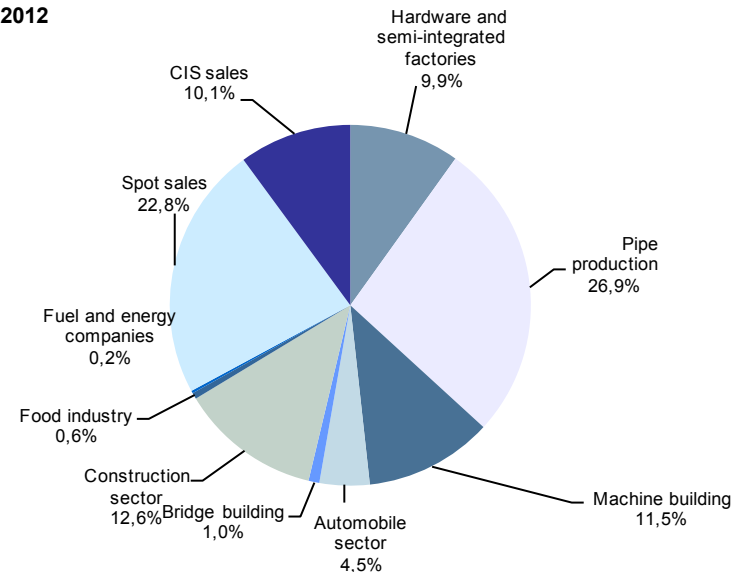
Domestic sales by region

Q2 2012



Domestic sales by industry

Q2 2012

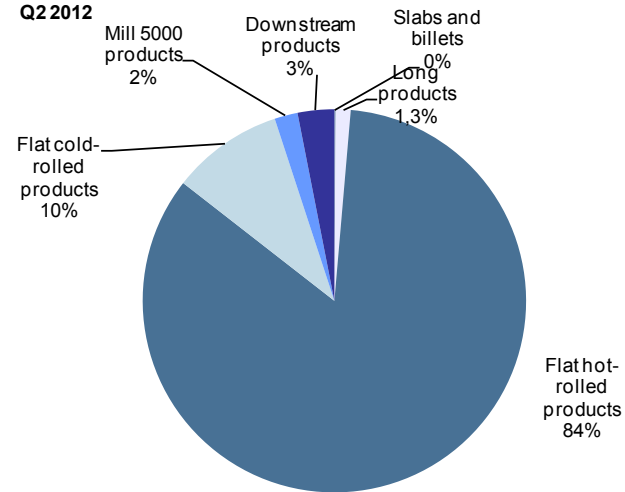


OJSC MMK Presence on Key Export Markets

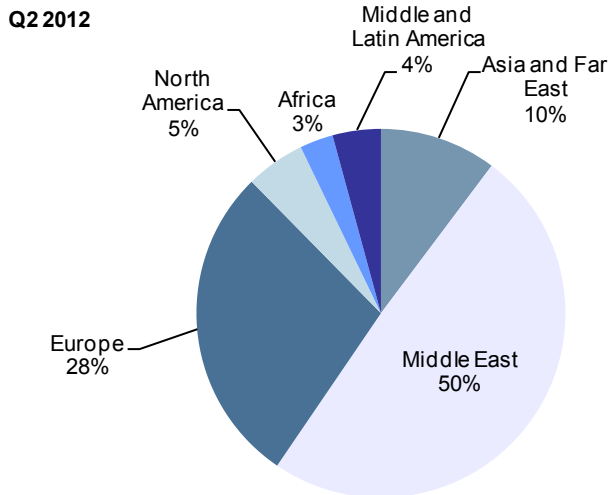


- Q2 2012 export shipments amounted to 614 th. tonnes (22% of total shipments)
- Exports accounted for 17% in Q2 2012 revenues
- Middle East and Europe remain the largest export markets of MMK
- Hot-rolled steel remains the main export product, accounting for 84% of export sales in Q2 2012

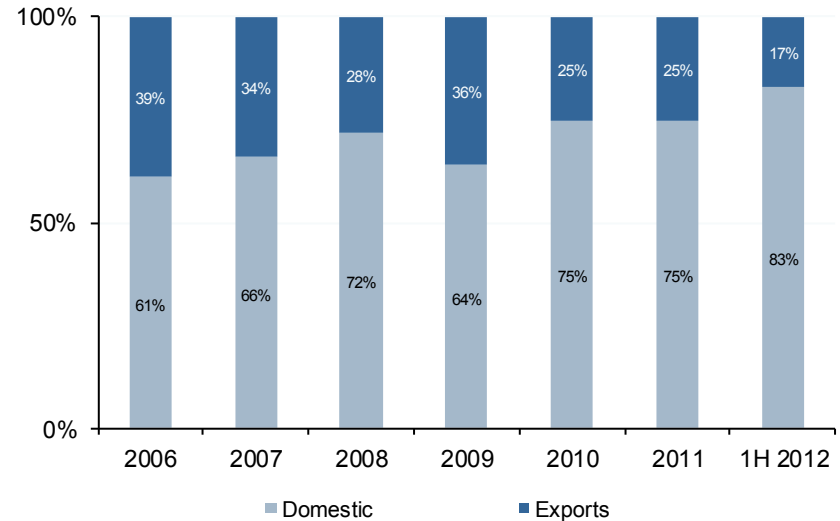
Export shipments by product type



Export shipments by region



Share of export shipments in revenue

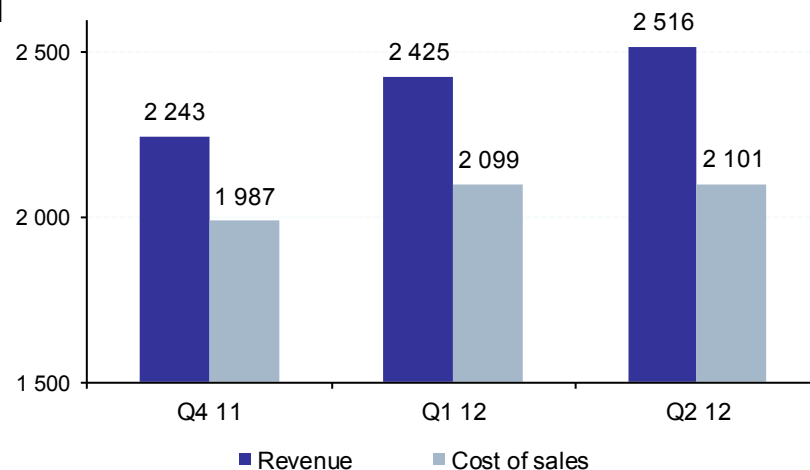


MMK Group Q2 2012 Financial Highlights



- Sales growth in Q2 2012 increased 4% q-o-q and totaled USD 2,516 mln
- While cost of sales in Q2 2012 stayed flat q-o-q and equaled USD 2,101 mln
- MMK Group Q2 2012 EBITDA increased 26% and equaled USD 369 mln

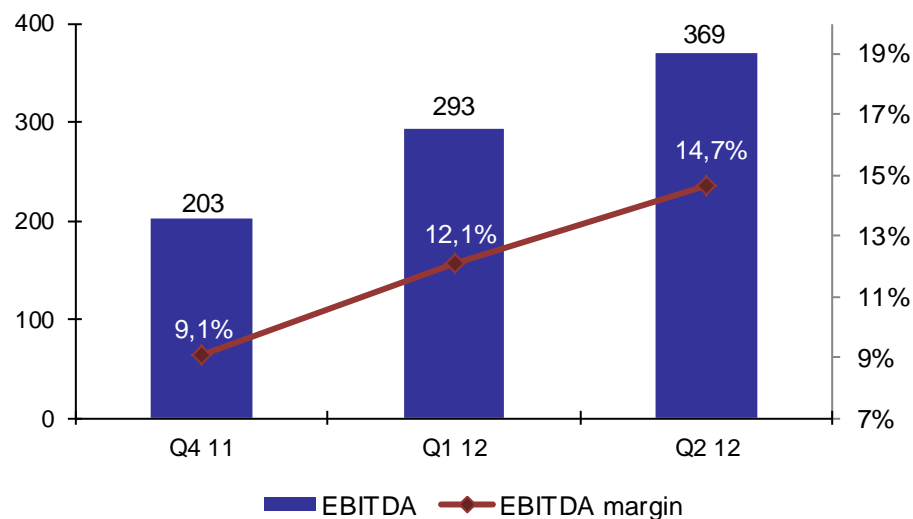
Revenue and cost of sales dynamics, USD mln



MMK Group financial highlights, USD mln

	Q2 12	Q1 12	+/-	%
Revenue	2 516	2 425	91	4%
Cost of sales	-2 101	-2 099	-2	0%
Operating profit	95	33	62	188%
EBITDA	369	293	76	26%
<i>EBITDA margin</i>	<i>14,7%</i>	<i>12,1%</i>		

EBITDA and EBITDA margin, USD mln

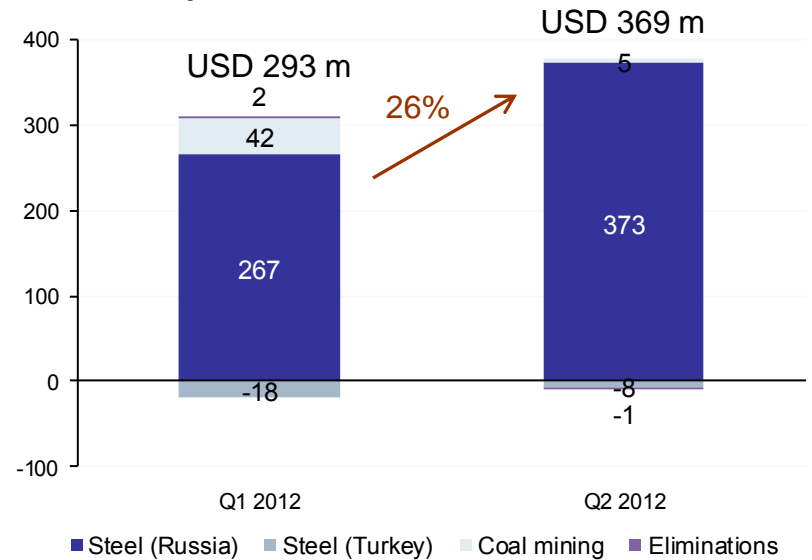


MMK Key Performance Indicators Analysis

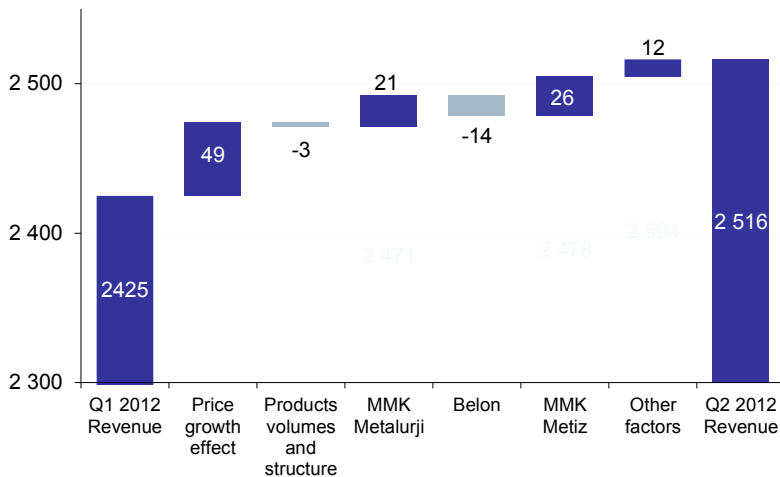


- Q2 2012 revenue increased q-o-q mainly due to sales volumes growth at the Magnitogorsk site, MMK Metiz and MMK Metalurji, and also due to some growth of selling prices
- MMK Group EBITDA increase in Q2 2012 is due to growth of Russian steel segment (40%) and 2 fold decrease in loss at the EBITDA of Turkish segment
- Q2 2012 cash-cost of slab declined mainly due to decreasing raw materials prices

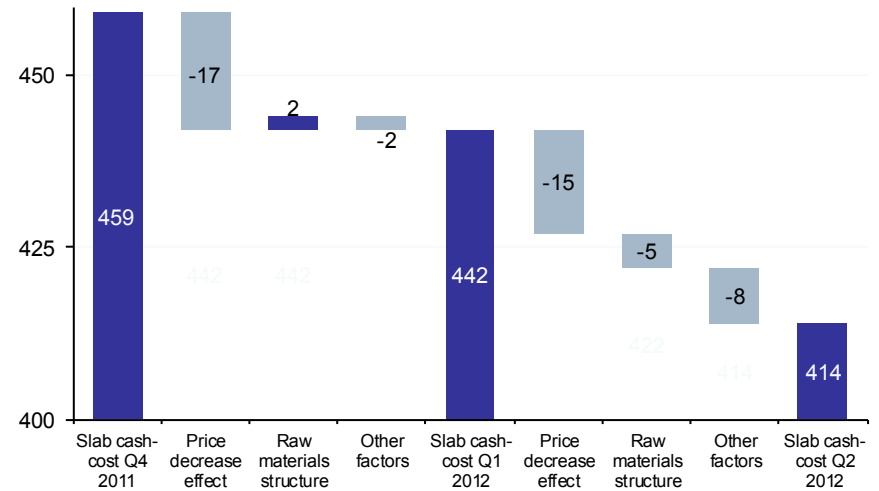
MMK Group EBITDA structure, USD mln



Revenue analysis, USD mln



Cash-cost of slab evolution, USD



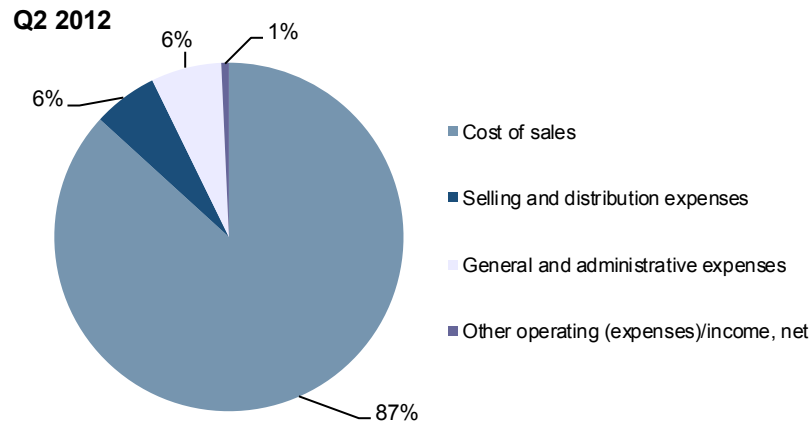
MMK Group Operating Costs and Cost of Sales Structure



MMK Group operational costs, USD mln

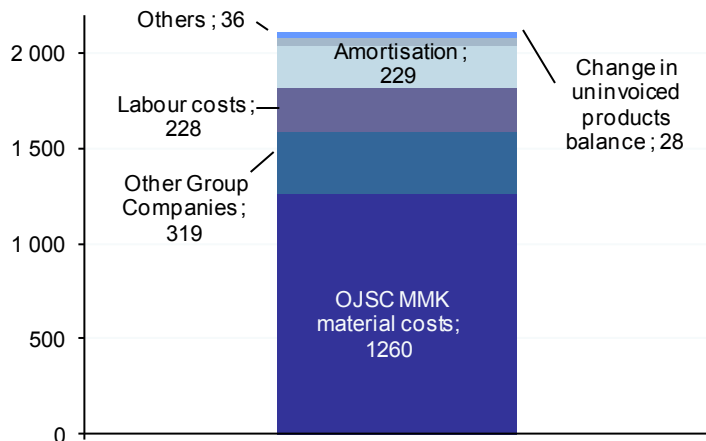
	Q2 12	Q1 12	+/-	%
Cost of sales	2 101	2 099	2	0%
Selling and distribution expenses	145	146	-1	-1%
General and administrative expenses	158	136	22	16%
Other operating (expenses)/income, net	17	11	6	55%
Total operating costs	2 421	2 392	29	1%

MMK Group operational costs



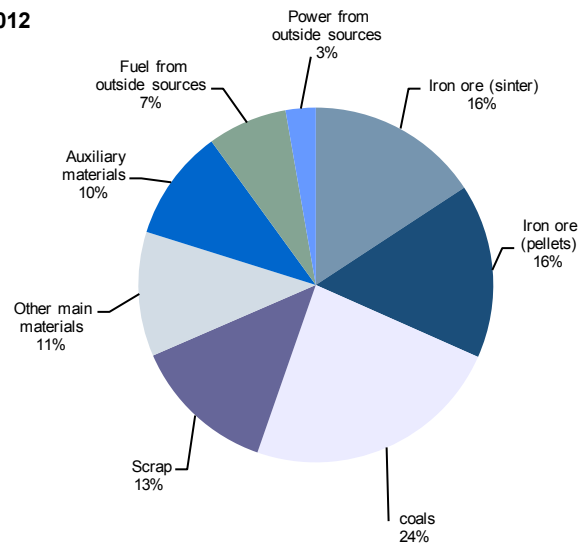
Cost of sales structure

Q2 2012



OJSC MMK material costs structure

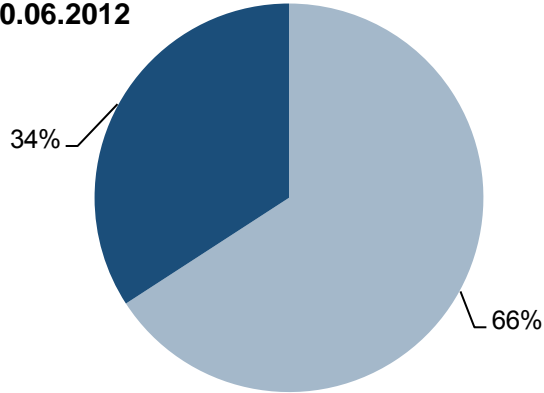
Q2 2012





Debt structure breakdown by maturity profile

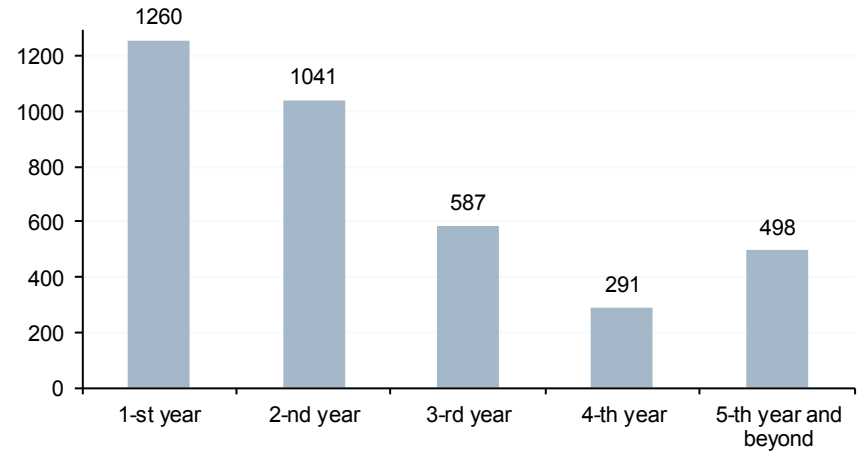
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3,696 USD mln*

- Long-term debt
- Short-term debt and current portion of long-term debt

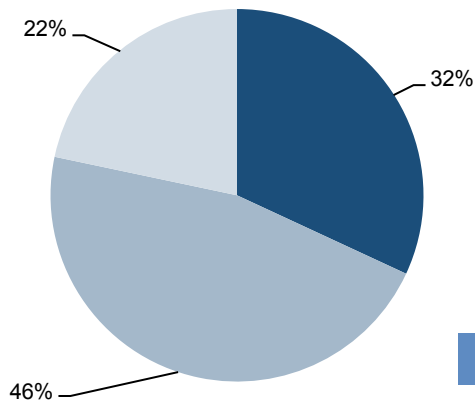
Debt maturity profile, USD mln



* Lease not incl.

Debt structure by currency

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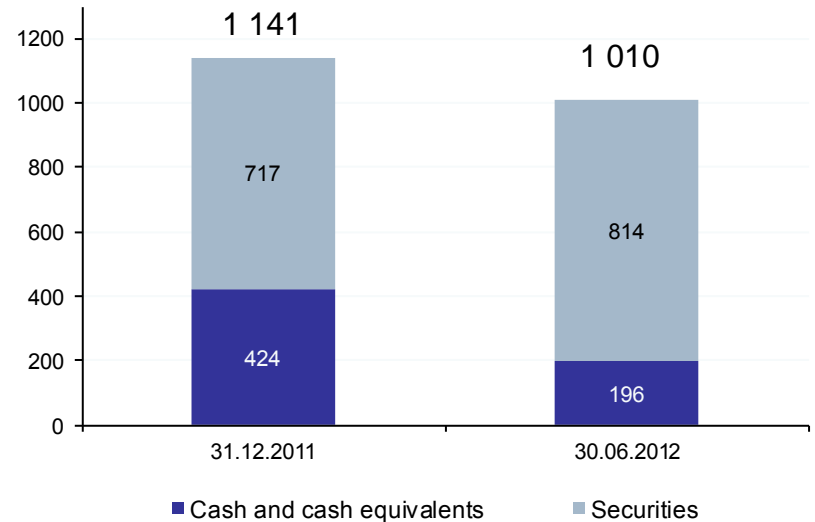


3,696 USD mln*

- RUR
- USD
- Euro

* Lease incl.

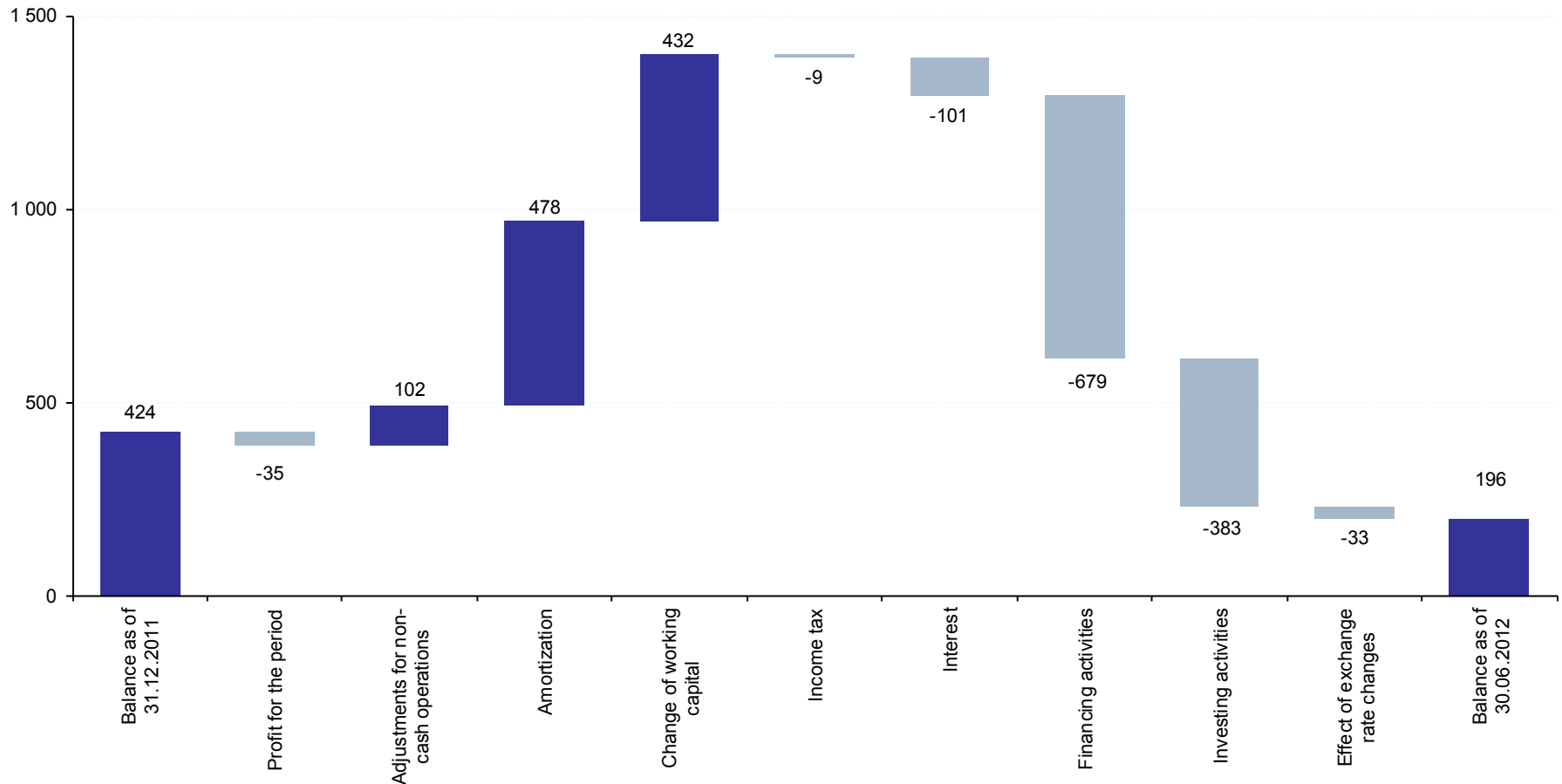
MMK Group liquid assets, USD mln



MMK Cash Flow, USD mln



- Capex in Q2 2012 amounted to USD 135 mln
- Main investment projects for 2012 are c/r mill 2000, modernization of h/r mill 2500 and Belon's investment programme
- Working capital decreased by USD 432 mln, including USD 253 mln or 14% in inventories reduction





- 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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