



Magnitogorsk Steel (MMK)

Q3 and 9M 2012 IFRS Financial Results Presentation



Q3 2012 Financials

- Revenue USD 2,319 mln – 8% growth q-o-q
- Operating profit USD 147 mln – 55% higher q-o-q
- EBITDA USD 398 mln – 8% growth q-o-q
- EBITDA margin – 17.2%, 2.5 percentage points growth q-o-q

9M 2012 Financials

- Revenue USD 7,260 mln – 3% growth y-o-y
- Operating profit USD 275 mln – 33% down y-o-y
- EBITDA USD 1,060 mln – 6% down y-o-y
- EBITDA margin – 14.6%, 1.4 percentage points down y-o-y

Q3 2012 Key Operational Figures

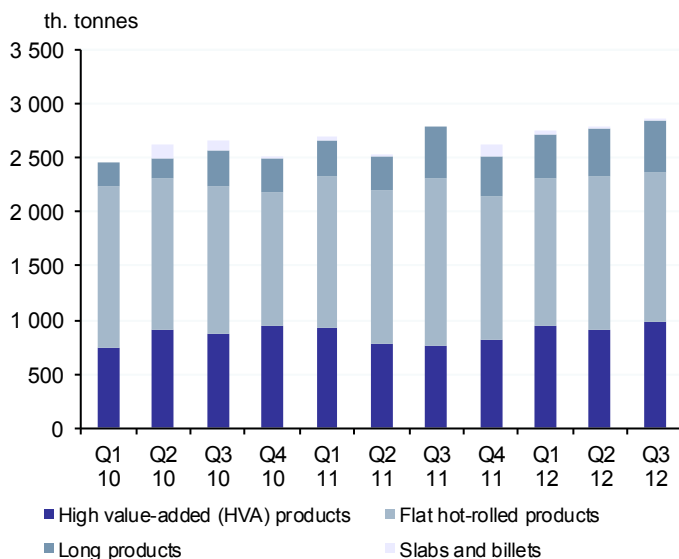
- MMK Group finished steel products output – 3,072 th. tonnes, 0.3% growth q-o-q
- High value added (HVA) products output - 1,276 th. tonnes, 6% growth q-o-q
- Share of HVA products in sales, MMK Group – 40%
- Share of domestic sales in revenue* – 84%

Growth Output Driven by HVA Products



- MMK Group finished products output in 9M 2012 rose 10% y-o-y and amounted to 9.2 mln tonnes
- 9M 2012 MMK Group HVA products output amounted to 3,668 ths. tonnes, 21% higher y-o-y
- Belon's production of coking coal concentrate in 9M 2012 was 2,521 ths. tonnes, 8% higher y-o-y

OJSC MMK finished products sales



Key operational indicators

	Q3 '12	Q2 '12	%	9M 12	9M 11	%
Cast iron	2 571	2 557	1%	7 607	7 219	5%
Crude steel incl.	3 357	3 294	2%	10 068	9 087	11%
MMK	3 187	3 012	6%	9 316	8 899	5%
MMK Metalurji	170	282	-40%	752	188	300%
OJSC MMK Finished products output incl.	2 858	2 776	3,0%	8 400	8 023	5%
Slabs and billets	1	1	-	47	56	-16%
Long products	484	451	7%	1 336	1 127	19%
Flat hot-rolled products	1 388	1 416	-2%	4 185	4 364	-4%
High value-added (HVA) products	985	908	8%	2 832	2 476	14%
<i>Thick plate (Plate Mill 5000)</i>	179	195	-8%	623	728	-14%
<i>Flat cold-rolled products</i>	379	304	25%	1 000	725	38%
<i>Downstream products *</i>	426	409	4%	1 209	1 022	18%
MMK-Metiz finished products	129	142	-9%	380	362	5%
MMK Metalurji finished products	211	284	-26%	748	272	175%
Belon coking coal concentrate	985	761	29%	2 521	2 334	8%

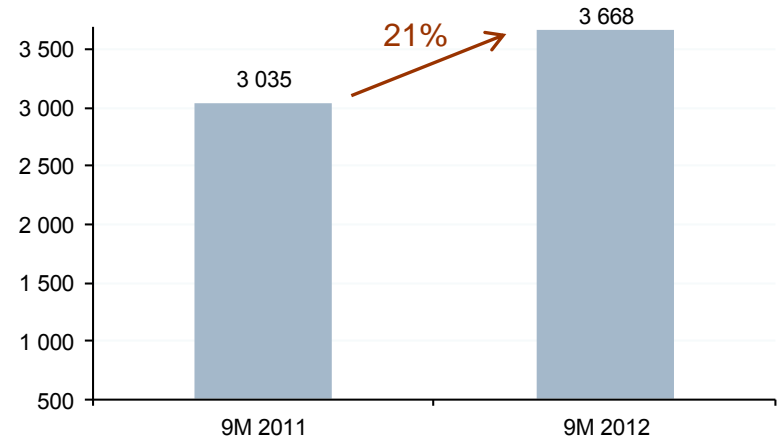
* - galvanized steel products, colour-coated steel products, formed section, band, tin plate, etc.

Strong Exposure to Domestic Market

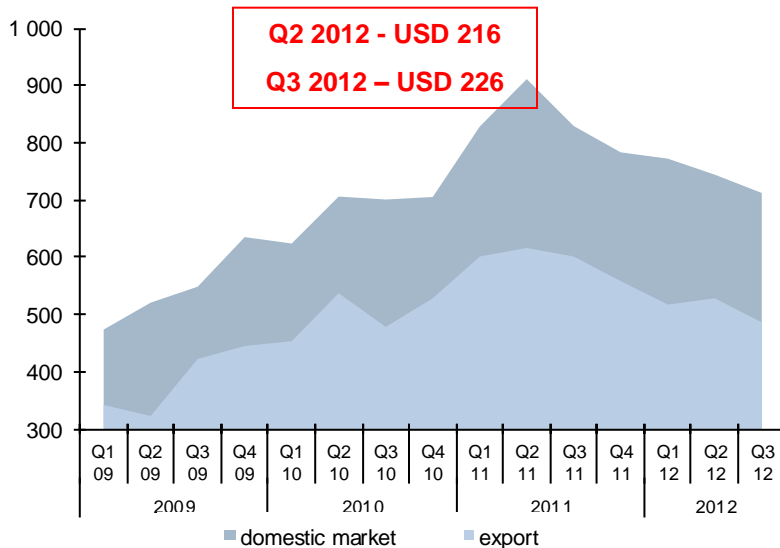


- MMK consider domestic market to be of higher priority for the company due to geographical proximity and better product mix
- Q3 2012 share of domestic sales was 78%, providing 84% of revenue
- Higher share of HVA products in domestic shipments allows MMK to have price premium from domestic sales. Q3 2012 average steel products price per tonne on domestic market was USD 712, on export markets – USD 486

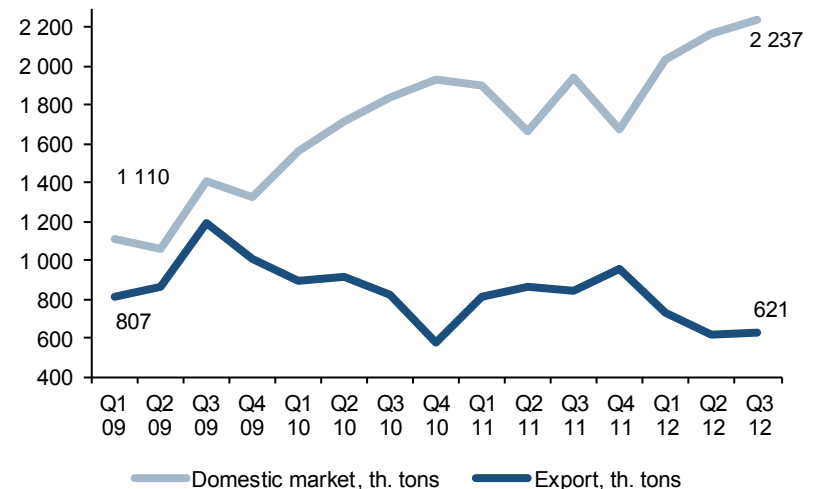
MMK Group HVA products output growth, th. tonnes



Domestic market price premium, USD



MMK sales by market, ths. tonnes



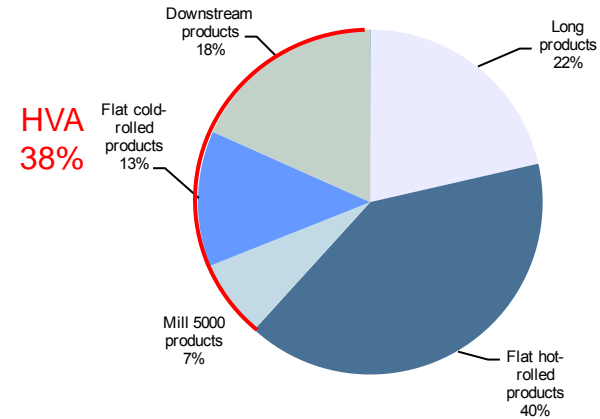
OJSC MMK Domestic Sales Structure



- Q3 2012 domestic shipments amounted to 2,237 ths. tonnes (78% of total shipments)
- In Q3 2012 shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 63% 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 Q3 2012

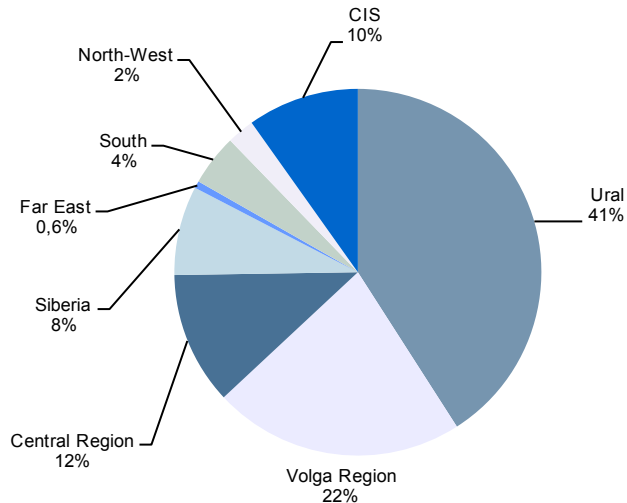
Domestic sales of finished products

Q3 2012



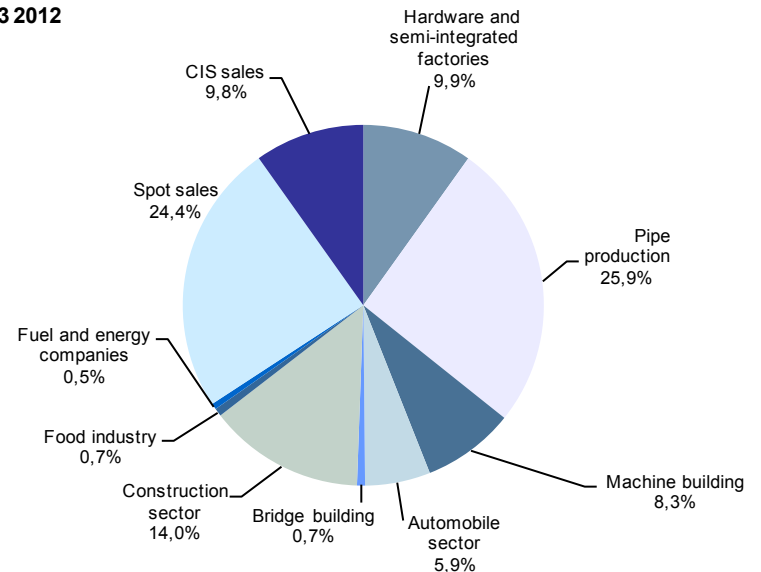
Domestic sales by region

Q3 2012



Domestic sales by industry

Q3 2012

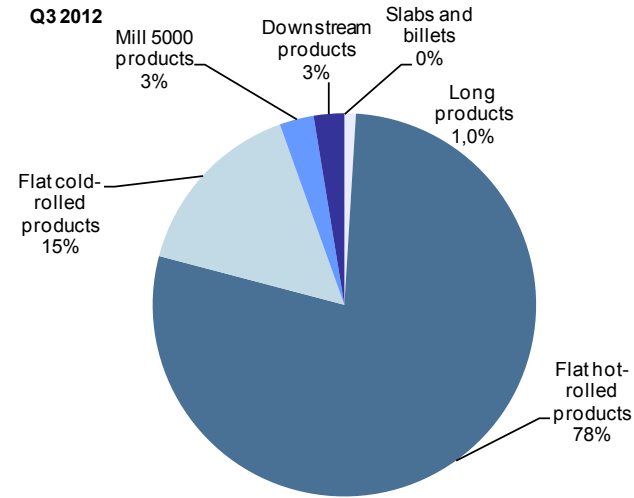


OJSC MMK Presence on Key Export Markets



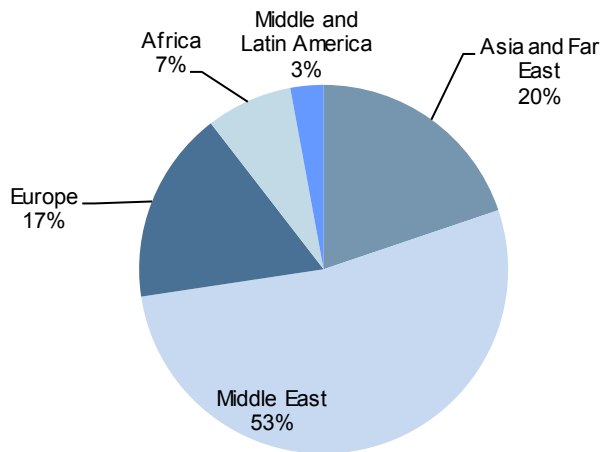
- Q3 2012 export shipments amounted to 621 th. tonnes (22% of total shipments)
- Exports accounted for 16% in Q3 2012 revenues
- Middle East, Asia and Far East, Europe remain the largest export markets of MMK
- Hot-rolled steel remains the main export product, accounting for 78% of export sales in Q3 2012

Export shipments by product type

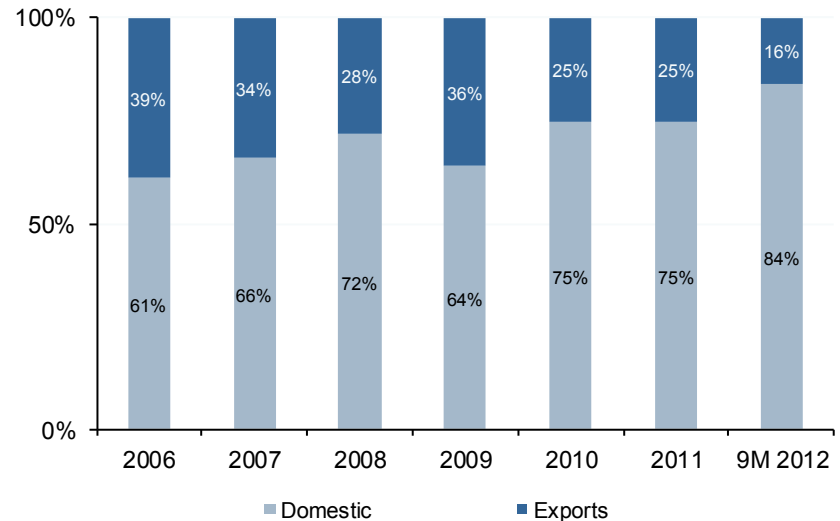


Export shipments by region

Q3 2012



Share of export shipments in revenue

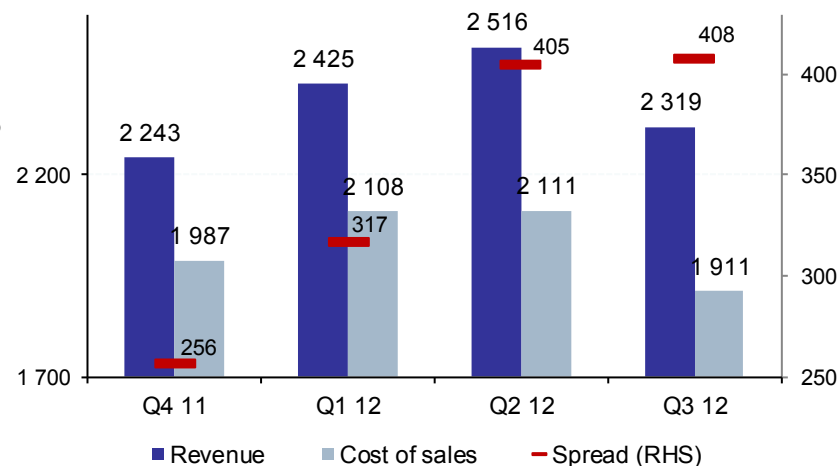


MMK Group Q3 2012 Financial Highlights



- Sales in Q3 2012 decreased 8% q-o-q and totaled USD 2,319 mln
- While cost of sales in Q3 2012 decreased more than 9% q-o-q and equaled USD 1,911 mln
- MMK Group Q3 2012 EBITDA increased 8% q-o-q and equaled USD 398 mln, securing EBITDA margin of 17.2%

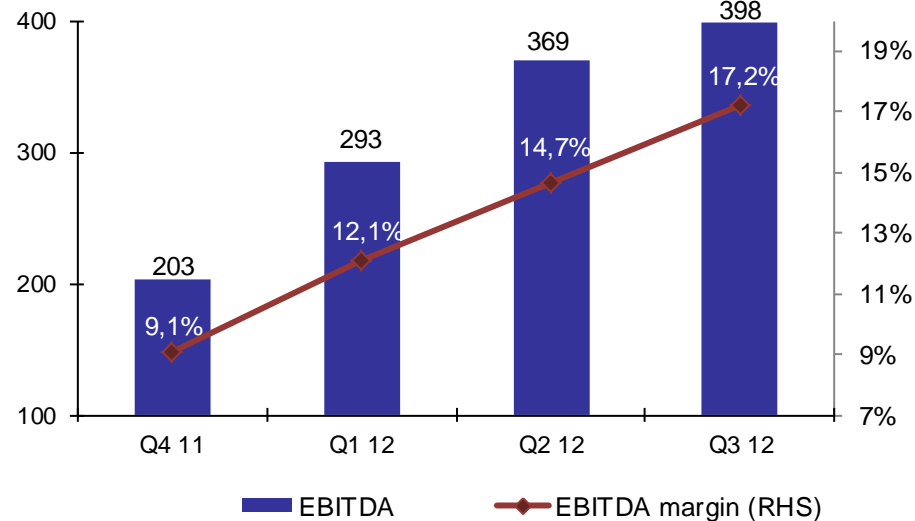
Revenue and cost of sales dynamics, USD mln



MMK Group financial highlights, USD mln

	Q3 12	Q2 12	+/-	%
Revenue	2 319	2 516	-197	-8%
Cost of sales	-1 911	-2 111	200	-9%
Operating profit	147	95	52	55%
EBITDA	398	369	29	8%
<i>EBITDA margin</i>	<i>17,2%</i>	<i>14,7%</i>		

EBITDA and EBITDA margin, USD mln

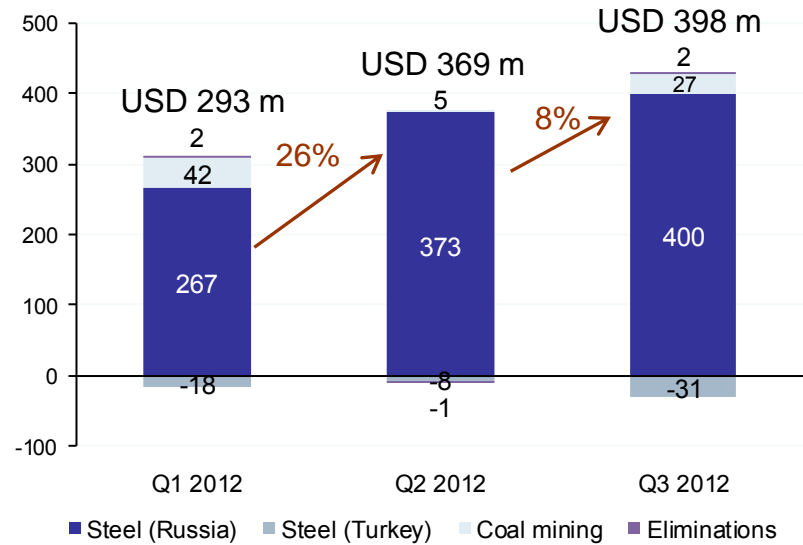


MMK Key Performance Indicators Analysis

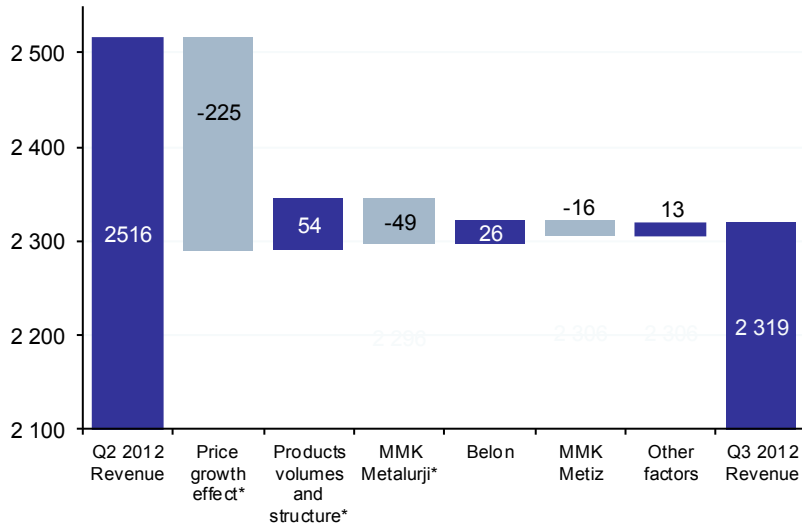


- Q3 2012 revenue dropped q-o-q mainly due to sales prices decrease
- MMK Group EBITDA increase in Q3 2012 is due to more than 7% growth of Russian steel segment and 5.4 fold increase of EBITDA of Belon
- Q3 2012 cash-cost of slab decreased mainly due to decreasing raw materials prices

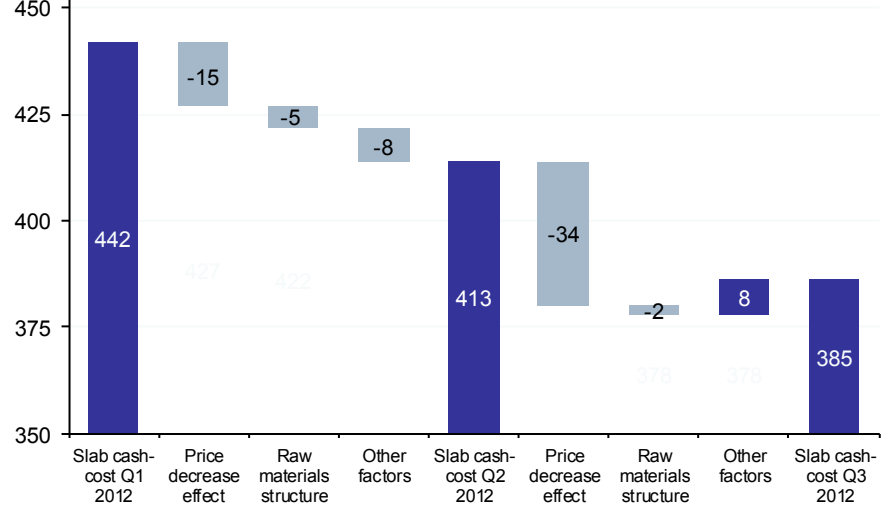
MMK Group EBITDA structure, USD mln



Revenue analysis, USD mln



Cash-cost of slab evolution, USD



* including MMK Trading AG and "MMK Trading House" sales

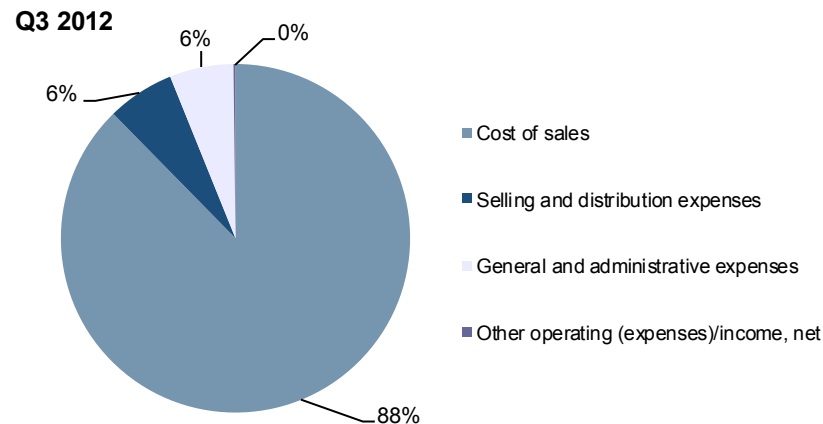
MMK Group Operating Costs and Cost of Sales Structure



MMK Group operational costs, USD mln

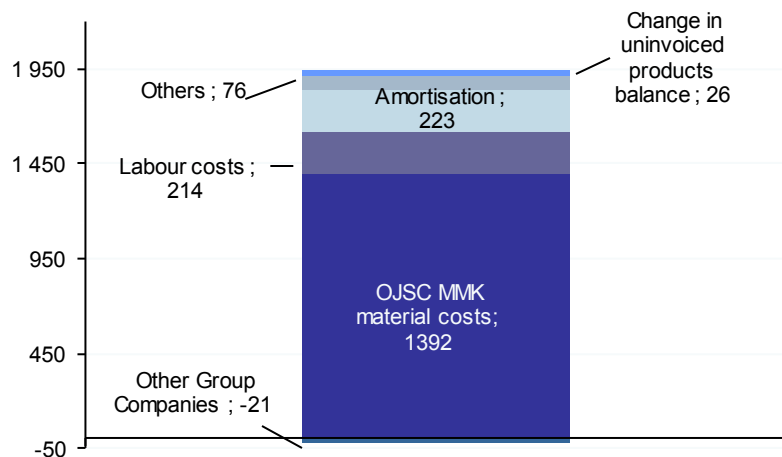
	Q3 12	Q2 12	+/-	%
Cost of sales	1 911	2 111	-200	-9,5%
Selling and distribution expenses	136	135	1	1%
General and administrative expenses	129	158	-29	-18%
Other operating expenses/(income), net	-4	17	-21	n/a
Total operating costs	2 172	2 392	-220	-9%

MMK Group operational costs



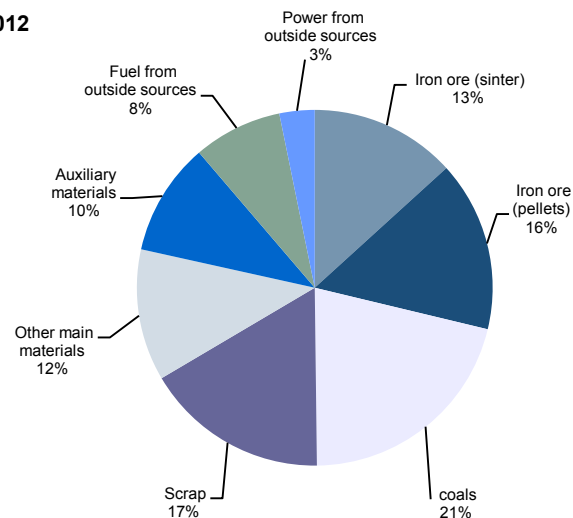
Cost of sales structure

Q3 2012



OJSC MMK material costs structure

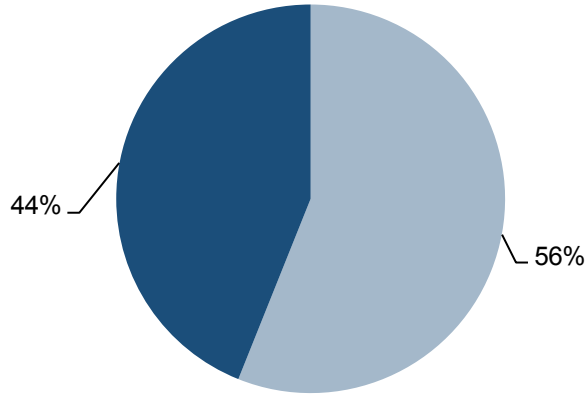
Q3 2012





Debt structure breakdown by maturity profile

30.09.2012

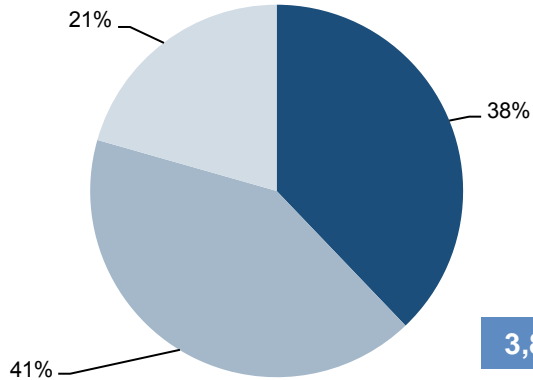


3,883 USD mln*

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

Debt structure by currency

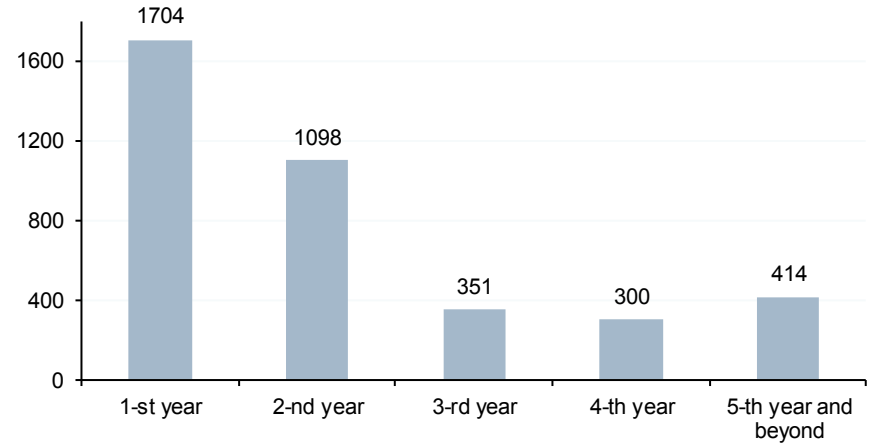
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3,883 USD mln*

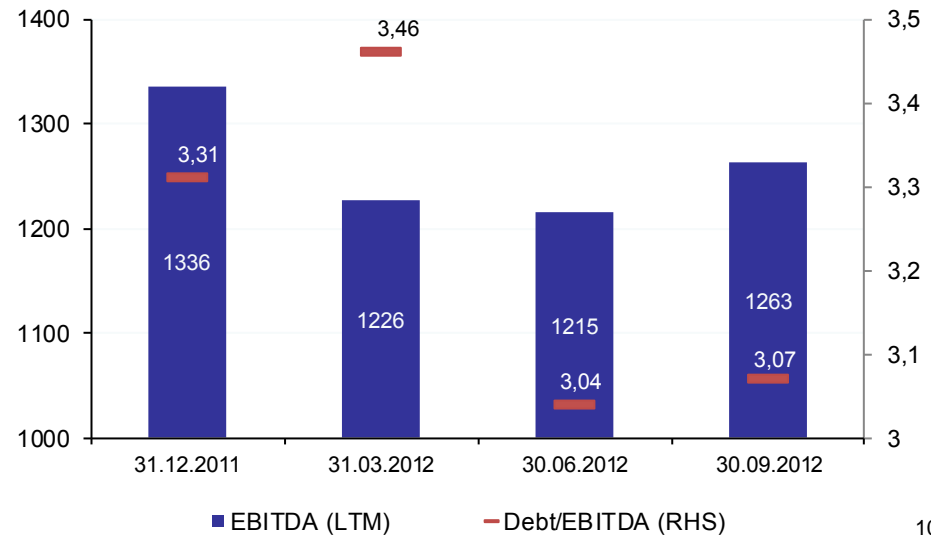
- * Lease incl.
- RUR
- USD
- Euro

Debt maturity profile, USD mln



* Lease not incl.

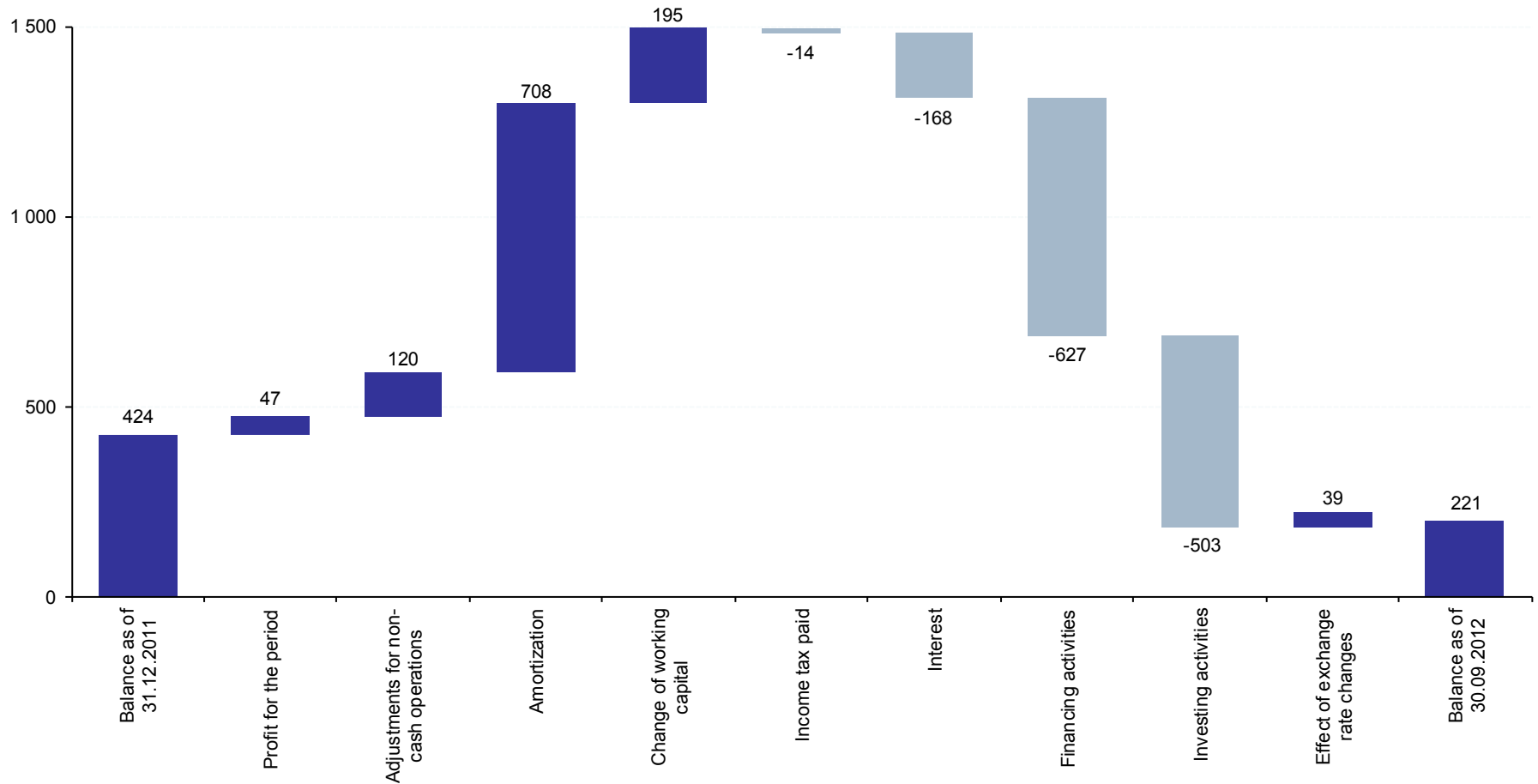
EBITDA (LTM) vs. Debt/EBITDA Ratio, USD m



MMK Cash Flow, USD mln



- Capex in Q3 2012 amounted to USD 156 mln, 9M 2012 capex amounted to USD 521 mln
- Main investment projects for 2012 are c/r mill 2000, modernization of h/r mill 2500 and Belon's investment programme
- Working capital optimization allowed the company to get additional USD 195 mln of cash flow in 9M 2012
- 9M 2012 FCF equaled to USD 366 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
- Realization of the projects, aiming growing integration in raw materials

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