



Magnitogorsk Steel (MMK)

Q2 and H1 2013 IFRS Financial Results Presentation



Q2 2013 Financials

- Revenue USD 2,161 mln – 5.3% decrease q-o-q
- EBITDA USD 291 mln – 13.7% increase q-o-q
- EBITDA margin – 13.5%
- Free Cash Flow (FCF) – USD 61 mln

H1 2013 Financials

- Revenue USD 4,444 mln – 10.1% decrease y-o-y
- EBITDA USD 547 mln – 17.4% decrease y-o-y
- EBITDA margin – 12.3%
- Free Cash Flow (FCF) – USD 201 mln

Q2 2013 Operational Figures

- MMK Group finished steel products output – 2,843 th. tonnes, q-o-q
- High value added (HVA) products output - 1,382 th. tonnes, 2.0% up q-o-q
- Share of HVA products in sales, MMK Group – 49%

Growth Output Driven by HVA Products



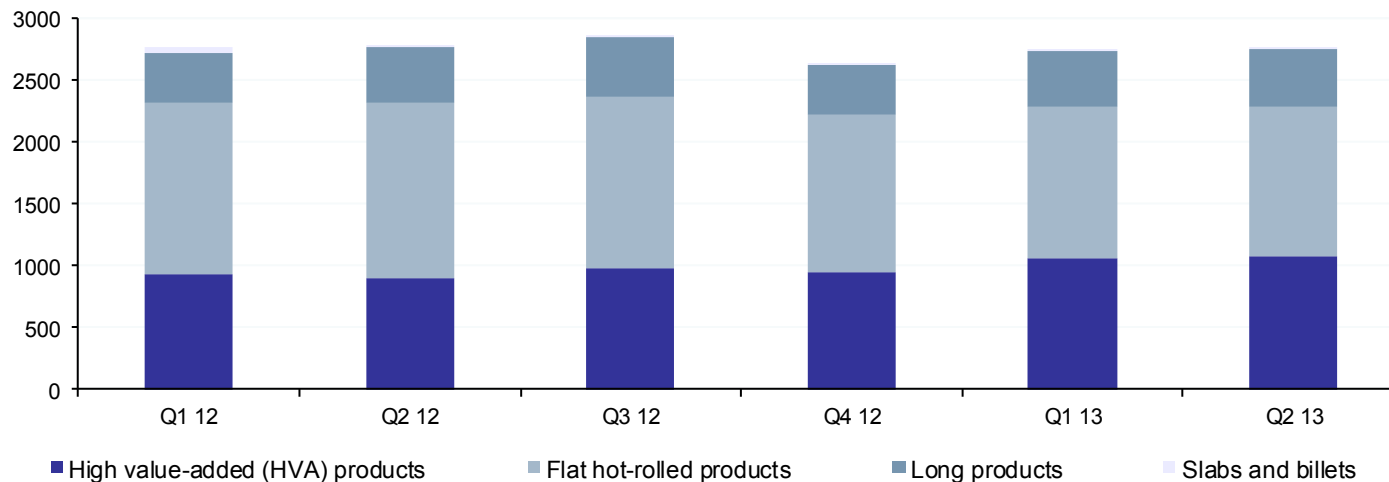
- MMK Group finished products output in Q2 2013 is at the level of Q1 and amounted to 2.8 mln tonnes
- Q2 2013 MMK Group HVA products output amounted to 1,382 ths. tonnes, 2.0% higher q-o-q
- Belon's production of coking coal concentrate in Q2 2013 was 829 ths. tonnes, 24% higher q-o-q

Key operational indicators

	Q2 '13	Q1 '13	%	H1 '13	H1 '12	%
Cast iron	2 466	2 426	2%	4 892	5 037	-3%
Crude steel incl.	3 079	3 075	0,1%	6 154	6 711	-8%
MMK	3 079	3 075	0,1%	6 154	6 129	0,4%
MMK Metalurji	0	0	-	0	582	-
OJSC MMK Finished products output	2 757	2 744	0,5%	5 501	5 542	-0,7%
MMK-Metiz finished products*	146	134	9%	280	251	12%
MMK Metalurji finished products*	168	178	-6%	346	538	-36%
Belon coking coal concentrate	829	669	24%	1 498	1 537	-3%

* - incl. made from MMK's steel

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

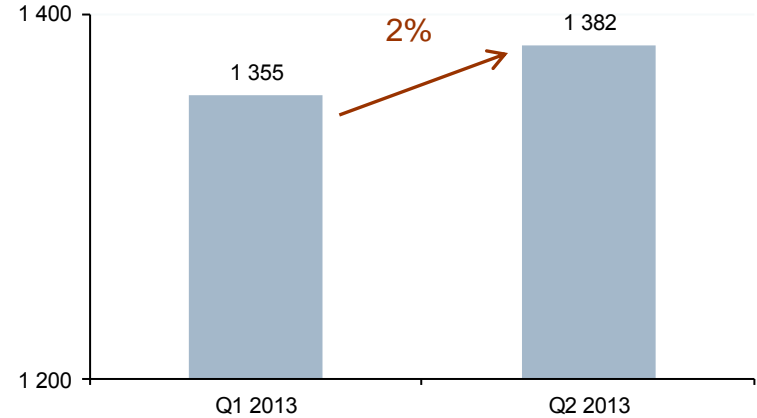


Strong Exposure to Domestic Market

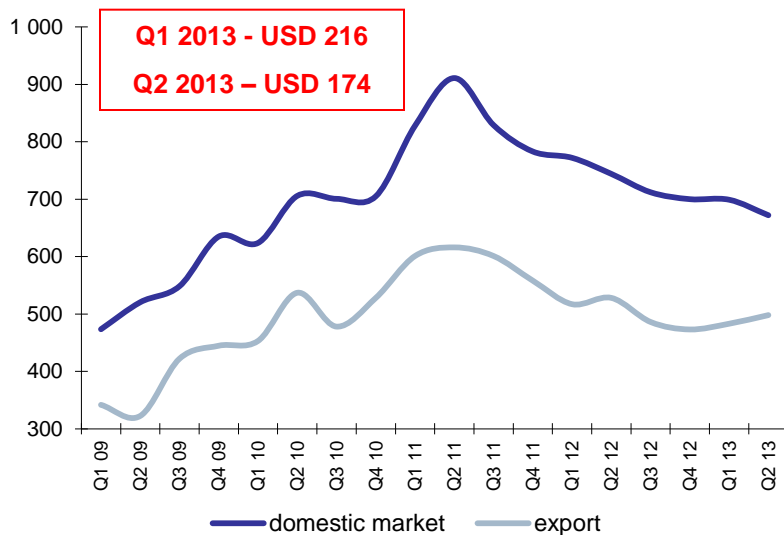


- MMK consider domestic market to be of higher priority for the company due to geographical proximity and better product mix
- MMK Q2 2013 share of domestic sales was 87%, providing 90% of revenue
- Higher share of HVA products in domestic shipments allows MMK to have price premium from domestic sales. Q2 2013 average steel products price per tonne on domestic market was USD 672, on export markets – USD 498

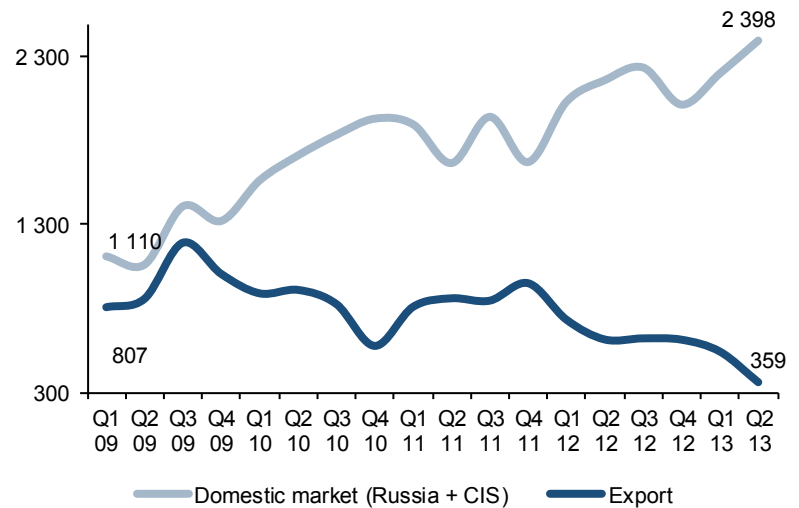
MMK Group HVA products output growth, th. tonnes



Domestic market price premium, USD



OJSC MMK sales by market, ths. tonnes



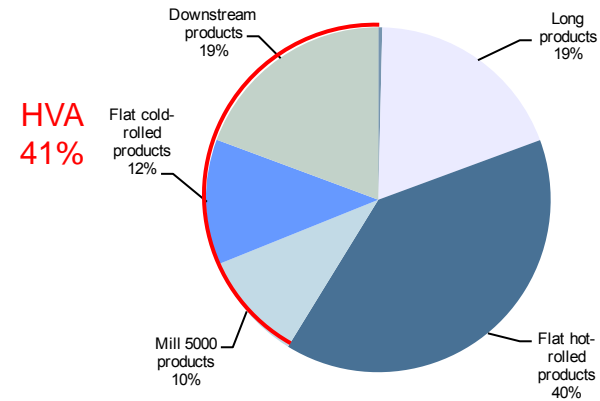
OJSC MMK Domestic Sales Structure



- Q2 2013 domestic shipments amounted to 2,398 ths. tonnes (87% of total shipments)
- 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 manufactures, construction and heavy machinery companies
- HVA products account for 41% of domestic shipments in Q2 2013

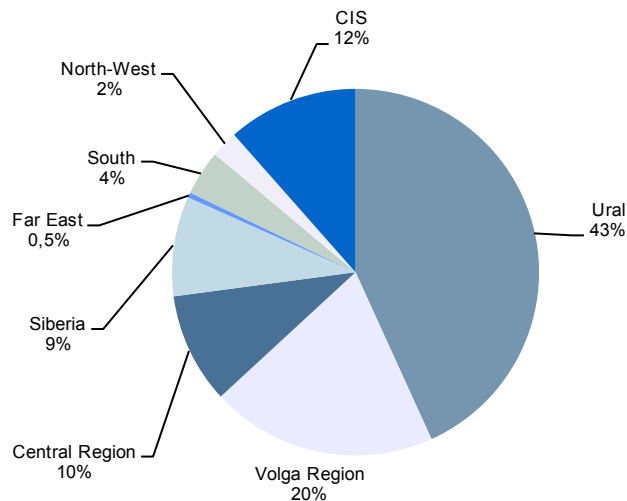
Domestic sales of finished products

Q2 2013



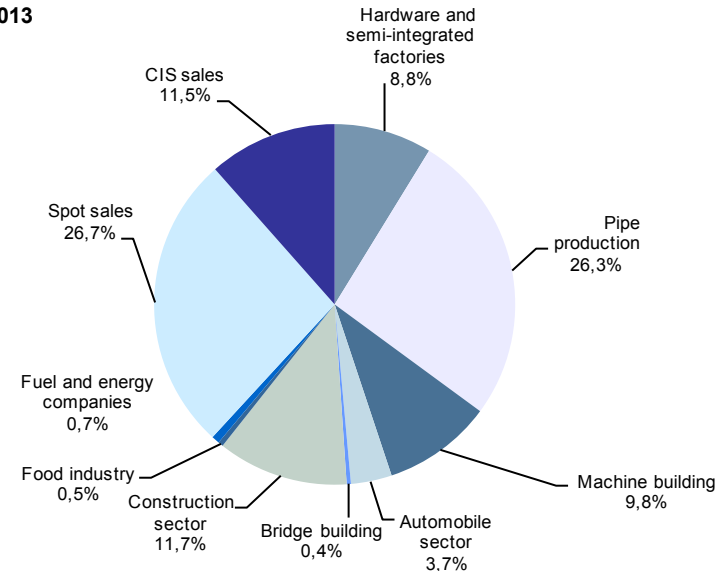
Domestic sales by region

Q2 2013



Domestic sales by industry

Q2 2013



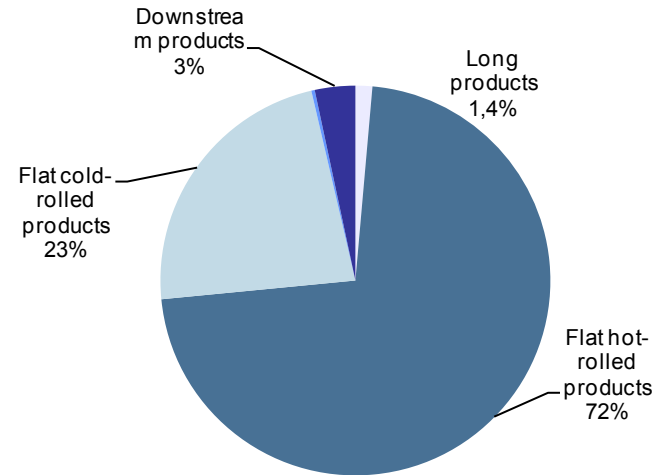
OJSC MMK Presence on Key Export Markets



- Q2 2013 export shipments amounted to 359 ths. tonnes (13% of total shipments)
- Exports accounted for 10% 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 72% of export sales in 2012

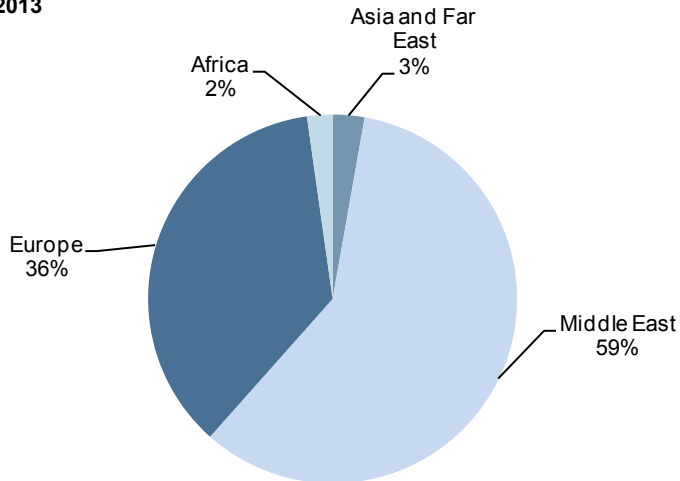
Export shipments by product type

Q2 2013

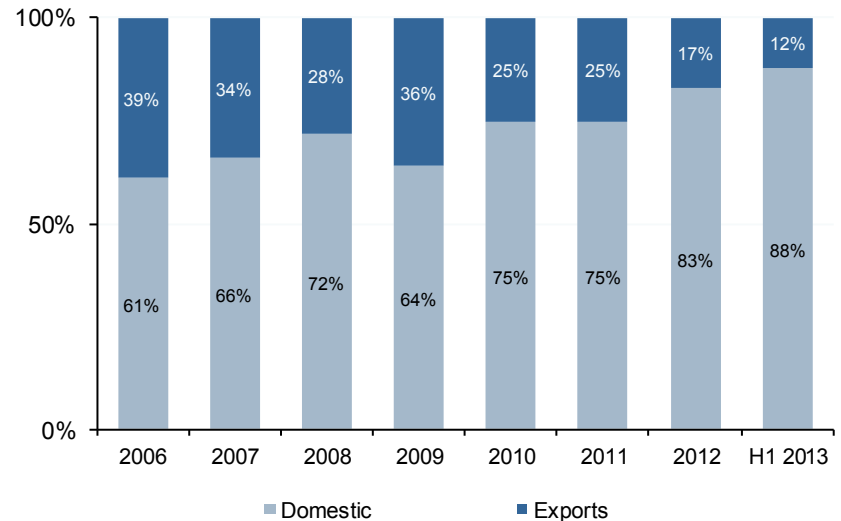


Export shipments by region

Q2 2013



Share of export shipments in revenue

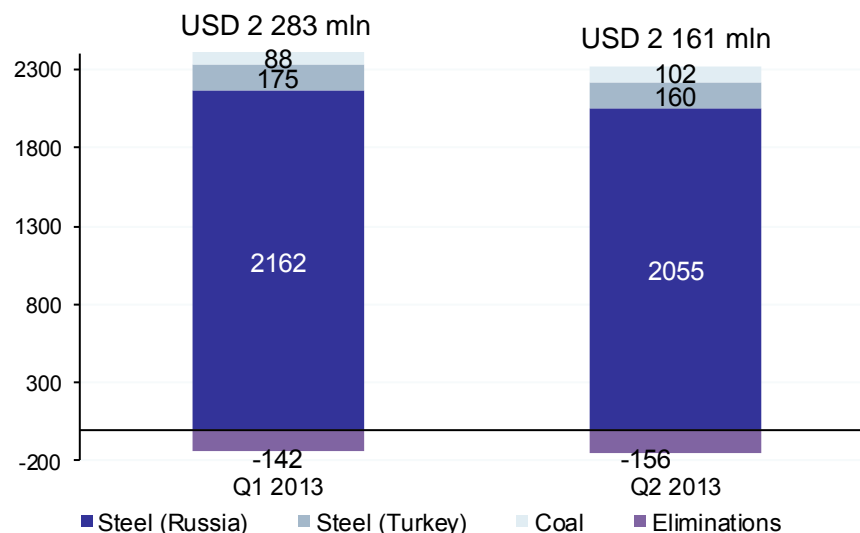


MMK Group Q2 2013 Financial Highlights



- Sales in Q2 2013 decreased 5,3% q-o-q and totaled USD 2,161 mln.
- Cost of sales in Q2 2013 decreased by 6.8% q-o-q and equaled USD 1,834 mln. This decrease was mostly due to weaker Iron ore and coking coal prices at the beginning of 2013
- MMK Group Q2 2013 EBITDA increased by 13,7% q-o-q and equaled USD 291 mln, securing EBITDA margin of 13.5%

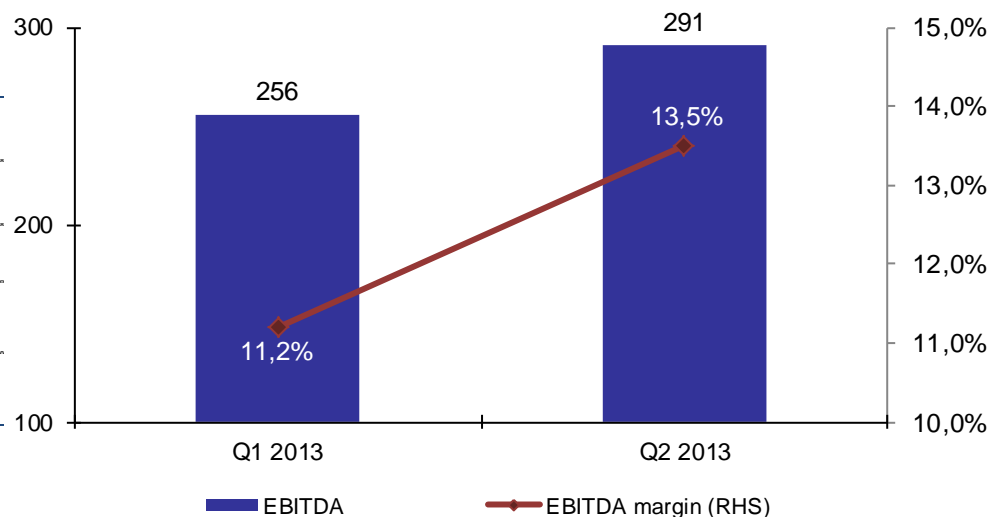
MMK Group Revenue, USD mln



MMK Group financial highlights, USD mln

	Q1 2013	Q4 2012	+/-	%
Revenue	2 161	2 283	-122	-5,3%
Cost of sales	-1 834	-1 968	134	-6,8%
Operating profit	25	1	24	-
EBITDA	291	256	35	13,7%
<i>EBITDA margin</i>	<i>13,5%</i>	<i>11,2%</i>		

EBITDA and EBITDA margin, USD mln

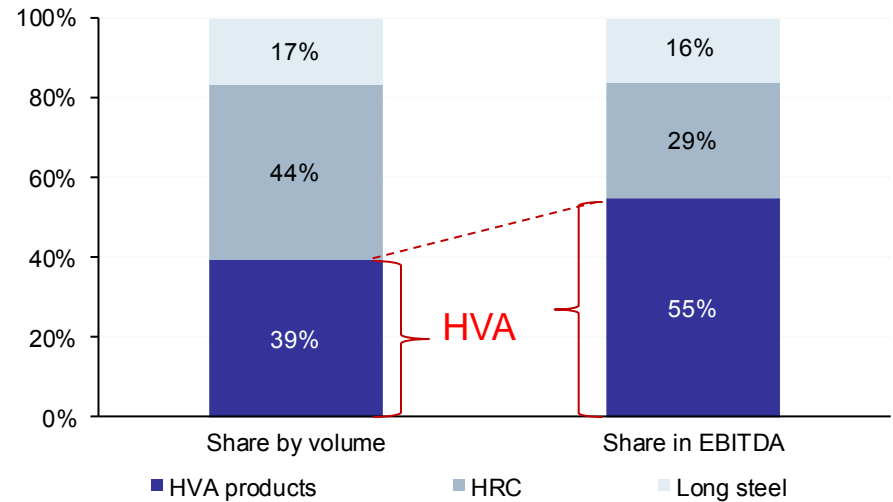


Key Performance Indicators Analysis

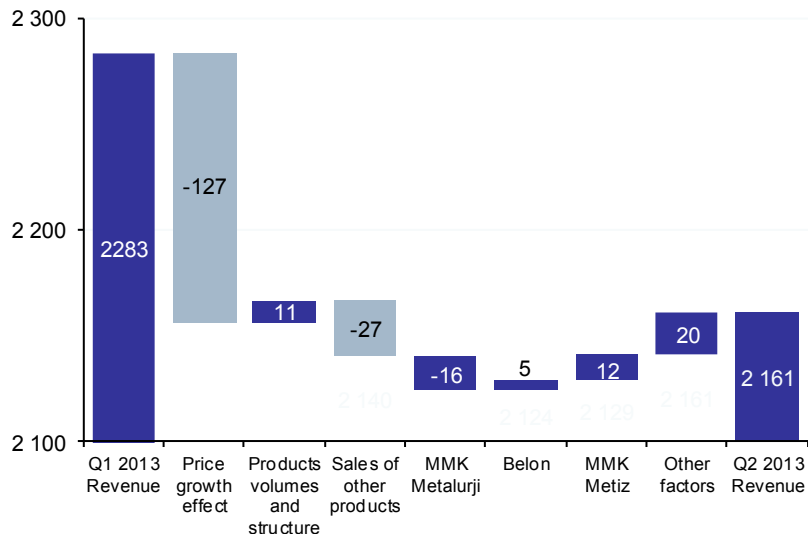


- The main driver, influencing MMK Group Q2 2013 revenue, was decrease of average steel prices
- HVA products are the major contributor to MMK Group EBITDA
- Q2 2013 cash-cost of slab decreased mainly due to falling raw materials prices and amounted to USD 385

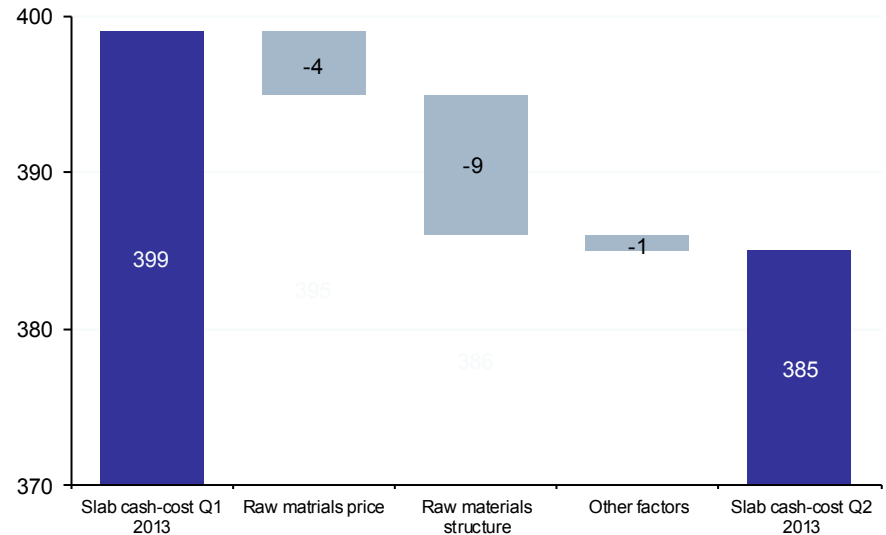
HVA products Contribution to OJSC MMK EBITDA in Q2 2013



MMK Group Revenue Analysis, USD mln



Cash-cost of slab evolution, USD/t



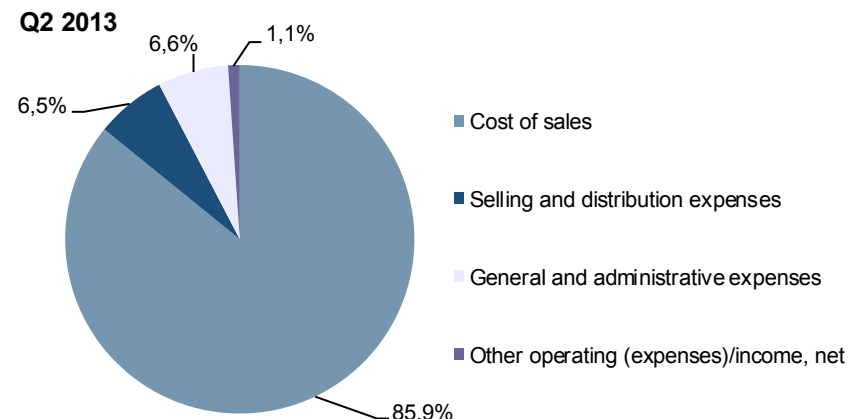
MMK Group Operating Costs and Cost of Sales Structure



MMK Group operational costs, USD mln

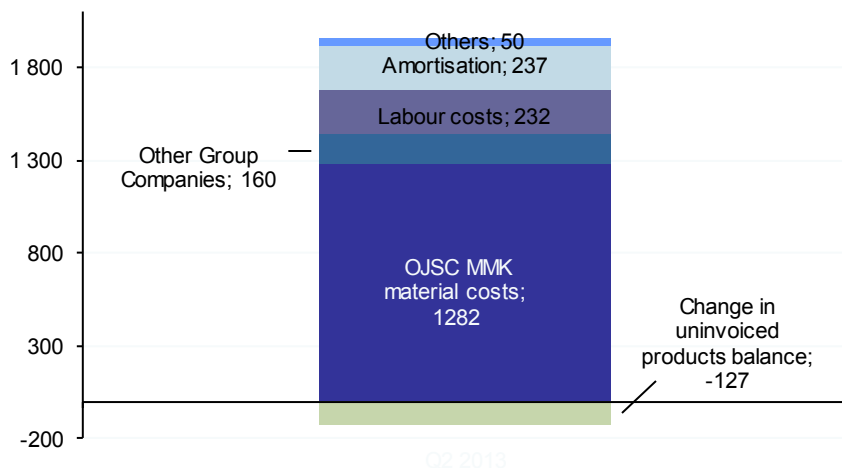
	Q2 13	Q1 13	+/-	%
Cost of sales	1 834	1 968	-134	-6,8%
Selling and distribution expenses	139	172	-33	-19%
General and administrative expenses	140	133	7	5%
Other operating (expenses)/income, net	23	9	14	156%
Total operating costs	2 136	2 282	-146	-6%

MMK Group operational costs



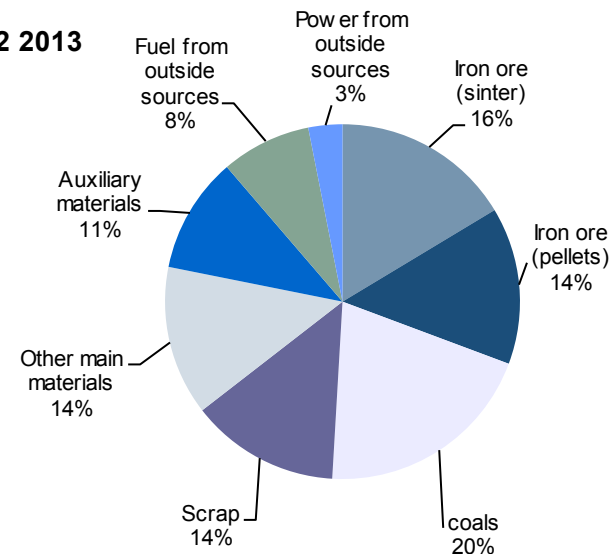
Cost of sales structure, USD mln

Q2 2013



OJSC MMK material costs structure

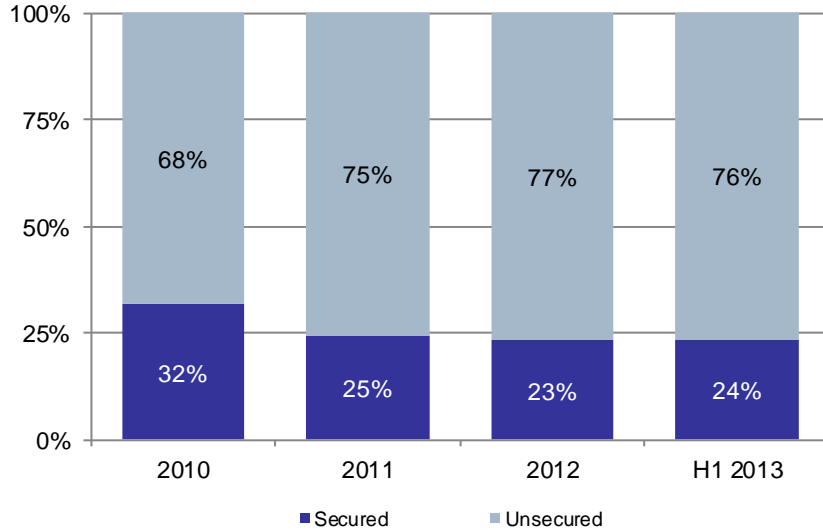
Q2 2013



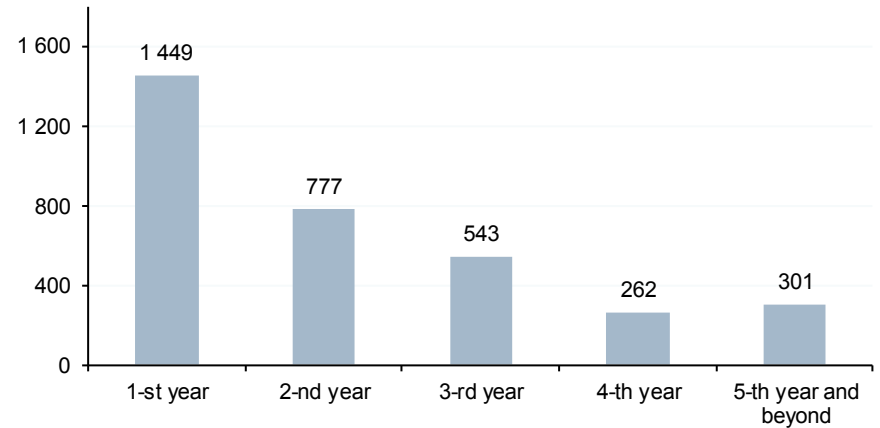
MMK Group Debt Profile



Debt structure dynamics by security



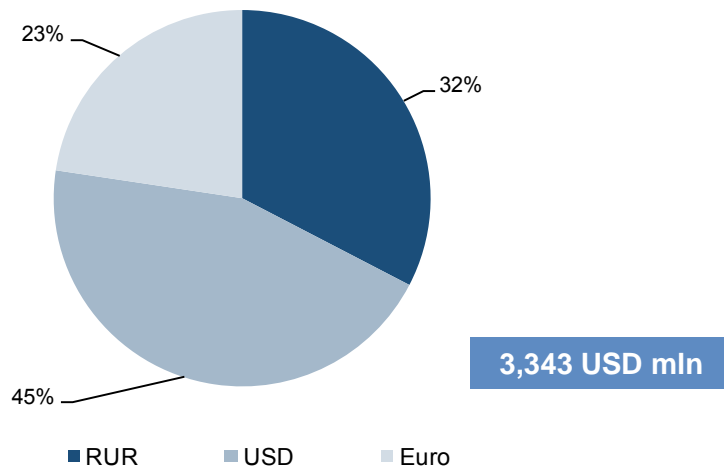
Debt maturity profile*, USD mln



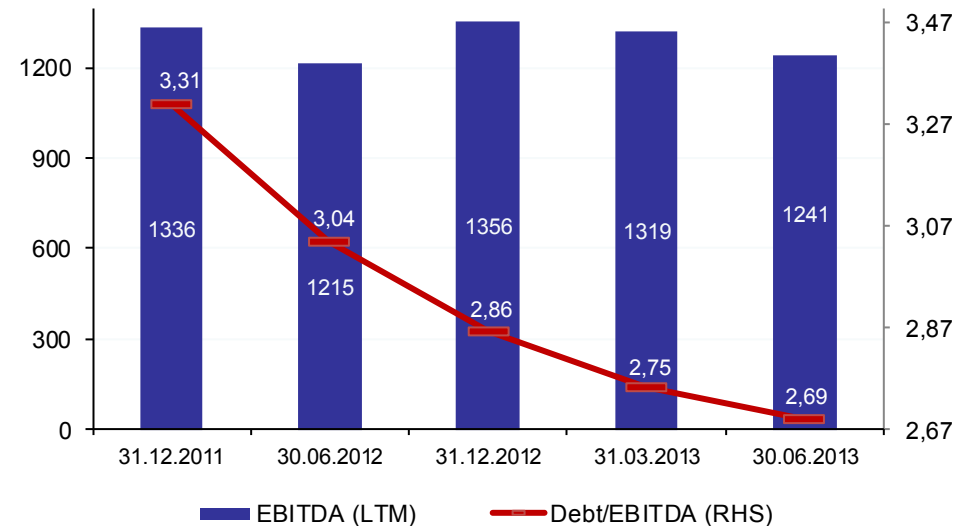
* Interest rate SWAP not incl.

Debt structure by currency

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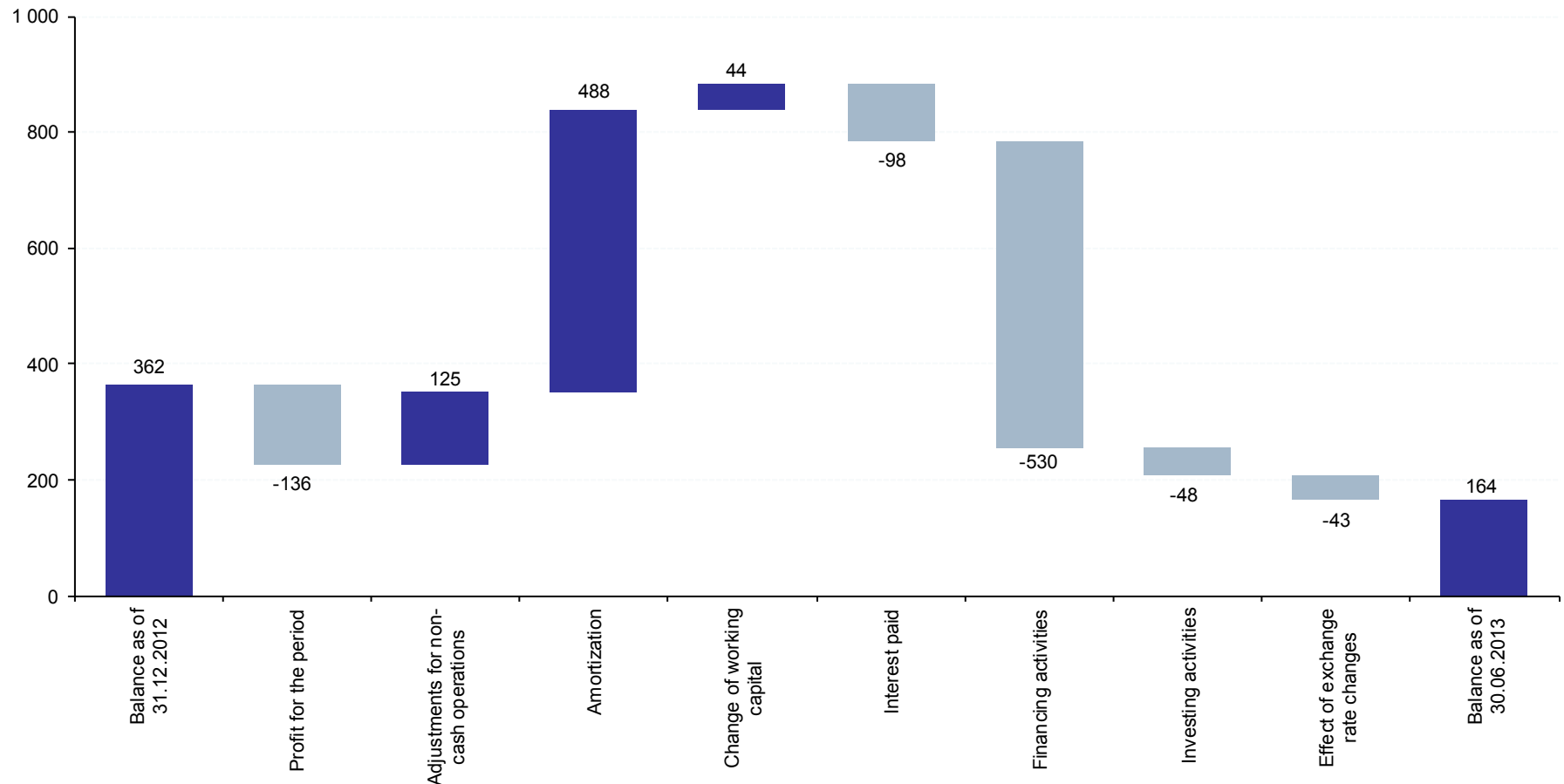
Effective Debt control, USD mln



MMK Group Cash Flow, USD mln



- Capex in Q2 2013 amounted to USD 91 mln, (30.5% down q-o-q). Capex in H1 2013 amounted USD 222 mln (39,2% down y-o-y)
- Q2 2013 FCF equaled to USD 61 mln and H1 2013 FCF exceeded USD 200 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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