



Magnitogorsk Steel (MMK)

## Q4 and 12M 2012 IFRS Financial Results Presentation



## 12M 2012 Financials

- Revenue USD 9,328 mln – 0.2% growth y-o-y
- EBITDA USD 1,356 mln – 1,5% growth y-o-y
- EBITDA margin – 14.5%

## Q4 2012 Financials

- Revenue USD 2,068 mln – 11% decrease q-o-q
- EBITDA USD 296 mln – 25,6% decrease q-o-q
- EBITDA margin – 14,3%

## 2012 Key Operational Figures

- MMK Group finished steel products output – 11,936 th. tonnes, 7% up y-o-y
- High value added (HVA) products output - 4,880 th. tonnes, more than 20% up y-o-y
- Share of HVA products in sales, MMK Group – 41%

# Growth Output Driven by HVA Products

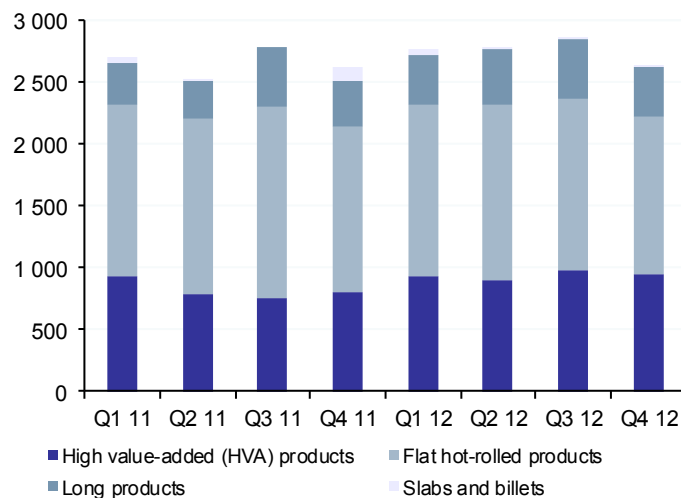


- MMK Group finished products output in 12M 2012 rose 7% y-o-y and amounted to 11.9 mln tonnes
- 12M 2012 MMK Group HVA products output amounted to 4,880 ths. tonnes, 20% higher y-o-y
- Belon's production of coking coal concentrate in 12M 2012 was 3,325 ths. tonnes, 3.4% higher y-o-y

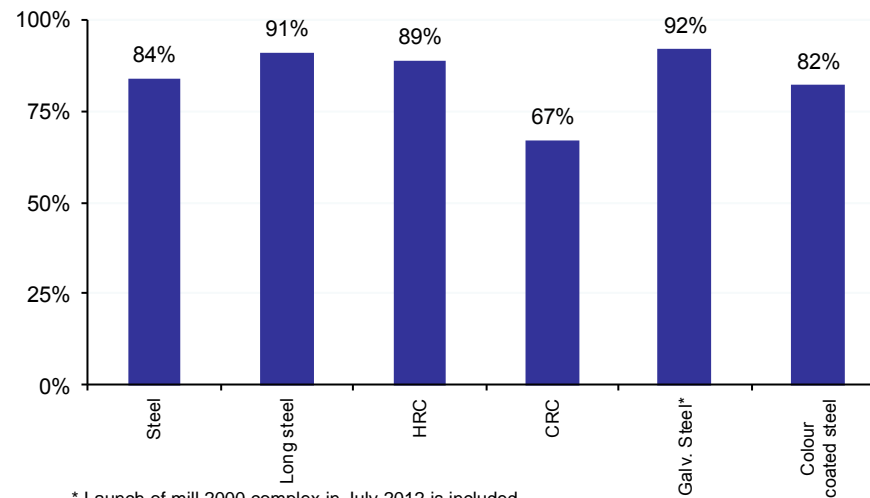
Key operational indicators	12M 12	12M 11	%	Q4 '12	Q3 '12	%
<b>Cast iron</b>	10 121	9 496	7%	2 514	2 571	-2%
<b>Crude steel incl.</b>	13 037	12 195	7%	2 969	3 357	-12%
MMK	12 247	11 724	4%	2 931	3 187	-8%
MMK Metalurji	790	471	68%	38	170	-78%
<b>OJSC MMK Finished products output</b>	11 029	10 646	4%	2 629	2 858	-8,0%
<b>MMK-Metiz finished products*</b>	493	465	6%	114	129	-12%
<b>MMK Metalurji finished products</b>	900	505	78%	152	211	-28%
<b>Belon coking coal concentrate</b>	3 325	3 126	6%	803	985	-18%

\* - incl. made from MMK's steel

**OJSC MMK finished products sales, th. tonnes**



**2012 OJSC MMK capacity utilization rate**



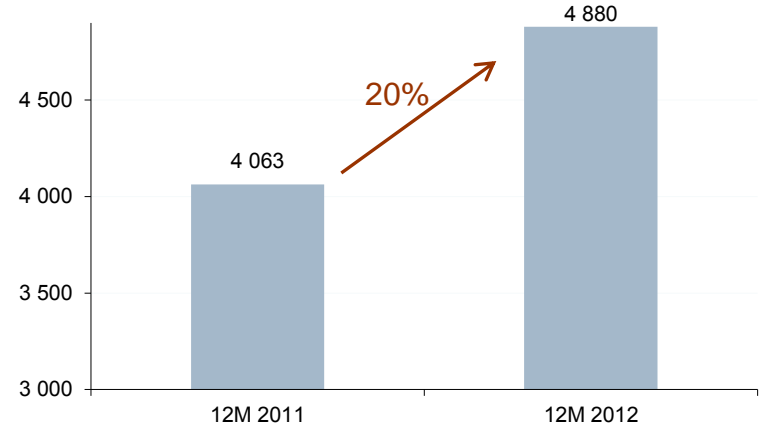
\* Launch of mill 2000 complex in July 2012 is included

# Strong Exposure to Domestic Market

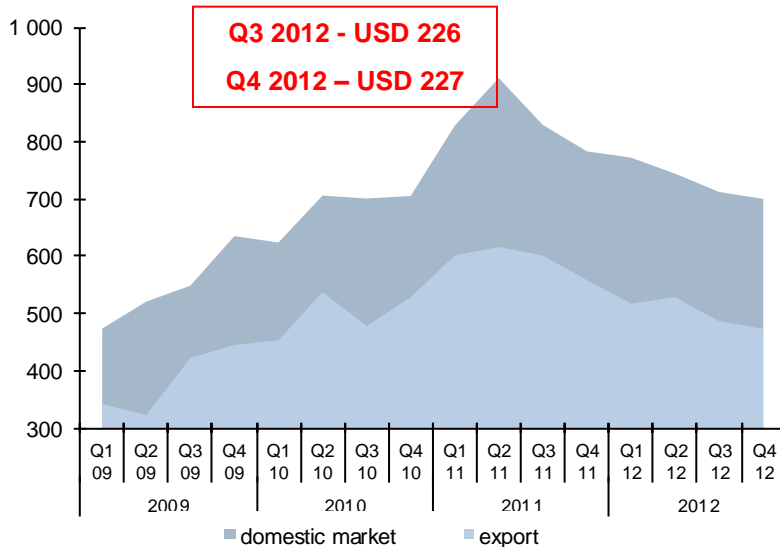


- MMK consider domestic market to be of higher priority for the company due to geographical proximity and better product mix
- MMK 2012 share of domestic sales was 77%, providing 83% of revenue
- Higher share of HVA products in domestic shipments allows MMK to have price premium from domestic sales. Q4 2012 average steel products price per tonne on domestic market was USD 700, on export markets – USD 473

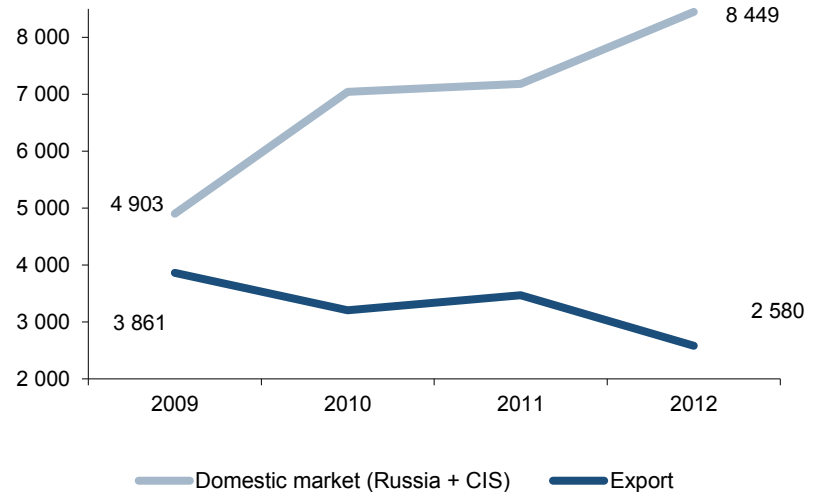
**MMK Group HVA products output growth, th. tonnes**



**Domestic market price premium, USD**



**MMK sales by market, ths. tonnes**

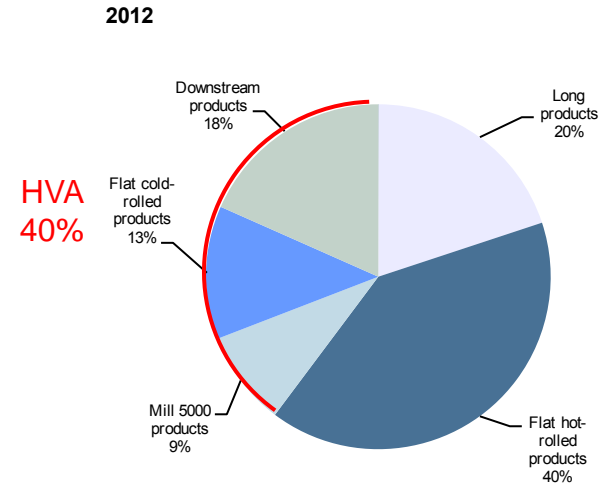


# OJSC MMK Domestic Sales Structure



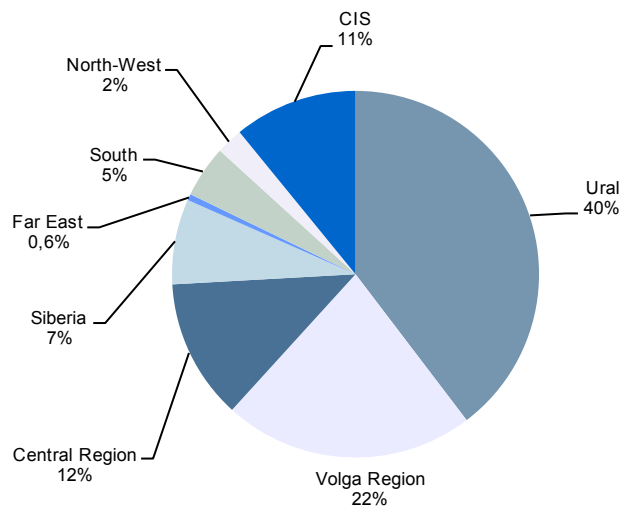
- 12M 2012 domestic shipments amounted to 8,449 ths. tonnes
- Shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 62% of sales
- MMK’s largest clients remain pipe-makers, car manufactures, construction and heavy machinery companies
- HVA products account for 40% of domestic shipments in 2012

## Domestic sales of finished products



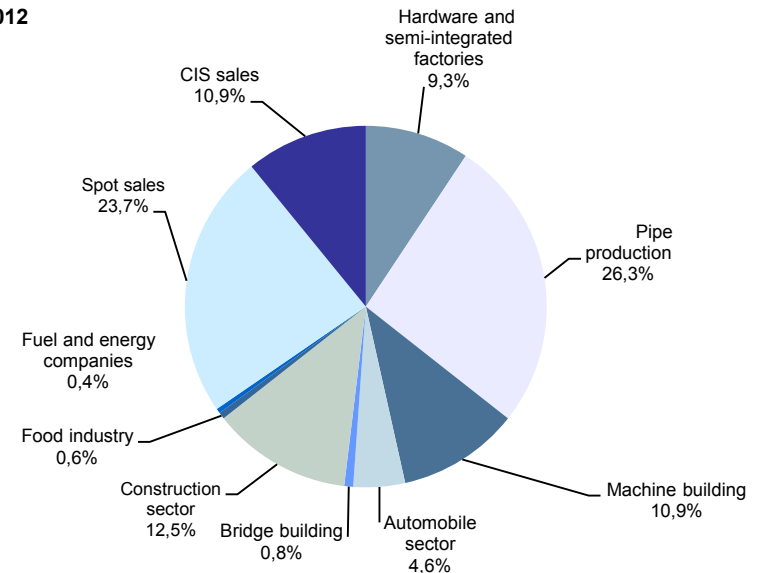
## Domestic sales by region

2012



## Domestic sales by industry

2012

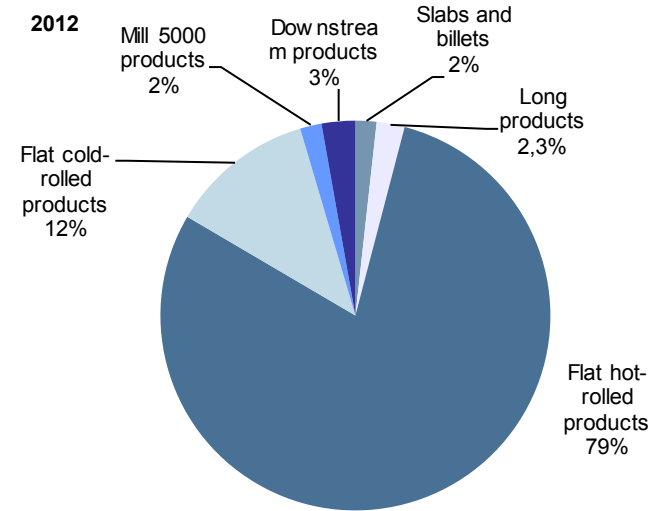


# OJSC MMK Presence on Key Export Markets

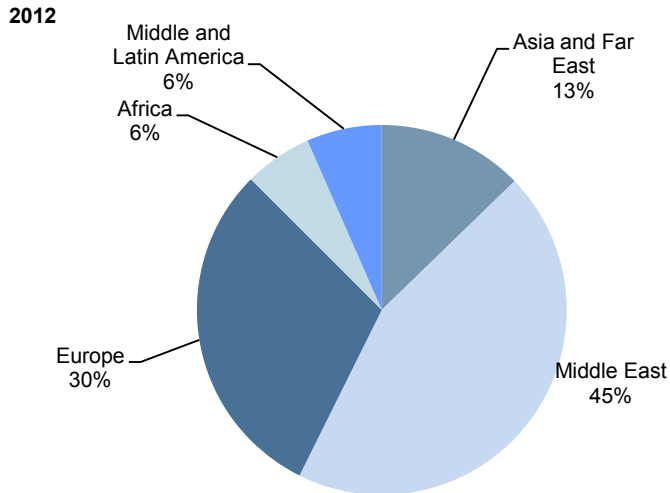


- 12M 2012 export shipments amounted to 2,580 ths. tonnes (23% of total shipments)
- Exports accounted for 17% in 2012 revenues
- Middle East, Europe, Asia and Far East remain the largest export markets of MMK
- Hot-rolled steel remains the main export product, accounting for 79% of export sales in 2012

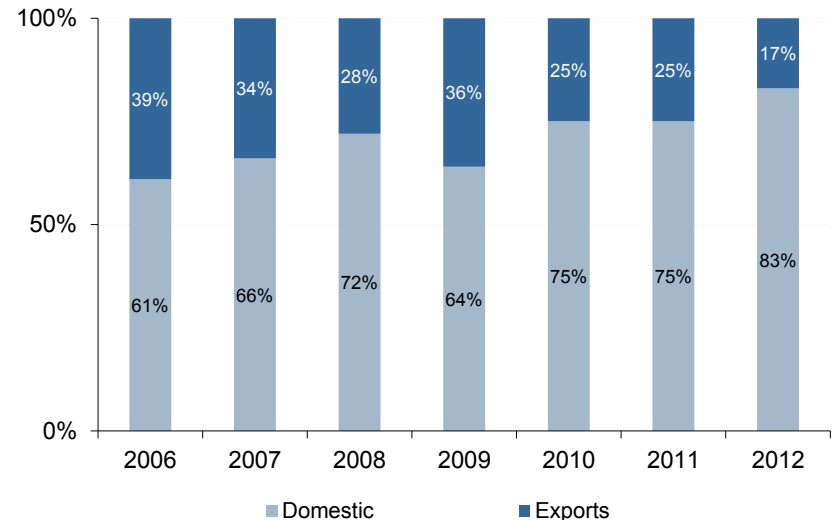
**Export shipments by product type**



**Export shipments by region**



**Share of export shipments in revenue**

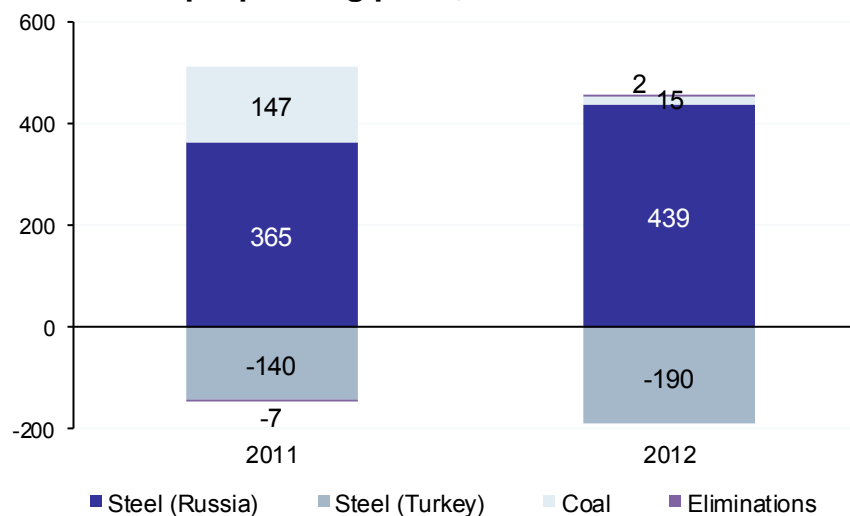


# MMK Group 2012 Financial Highlights



- Sales in 2012 marginally increased y-o-y and totaled USD 9,328 mln
- Cost of sales in 2012 grew by 1.6% y-o-y and equaled USD 7,881 mln. The growth was mostly due to increase of depreciation after launch of new facilities
- MMK Group 2012 EBITDA increased 1,5% y-o-y and equaled USD 1,356 mln, securing EBITDA margin of 14.5%

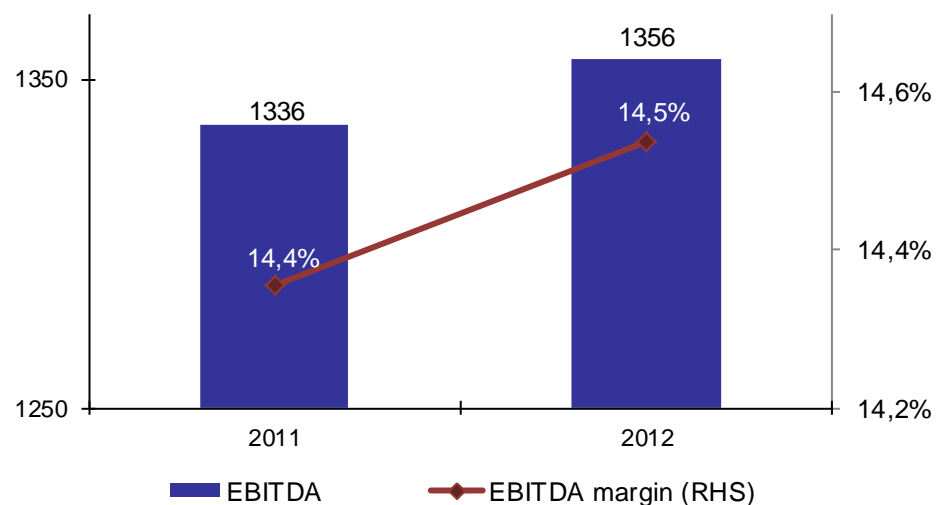
### MMK Group Operating profit, USD mln



### MMK Group financial highlights, USD mln

	2012	2011	+/-	%
Revenue	9 328	9 306	22	0,2%
Cost of sales	-7 881	-7 756	-125	1,6%
Operating profit	266	365	-99	-27,1%
EBITDA	1 356	1336	20	1,5%
<i>EBITDA margin</i>	<i>14,5%</i>	<i>14,4%</i>		

### EBITDA and EBITDA margin, USD mln

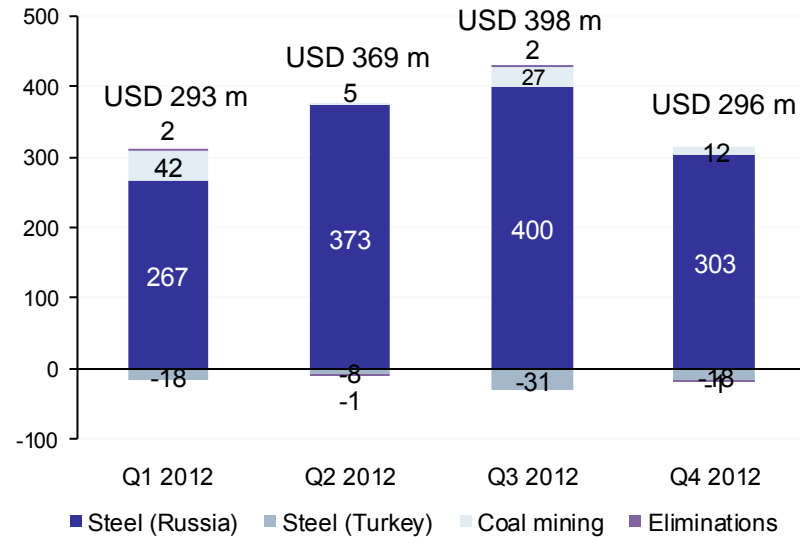


# MMK Key Performance Indicators Analysis

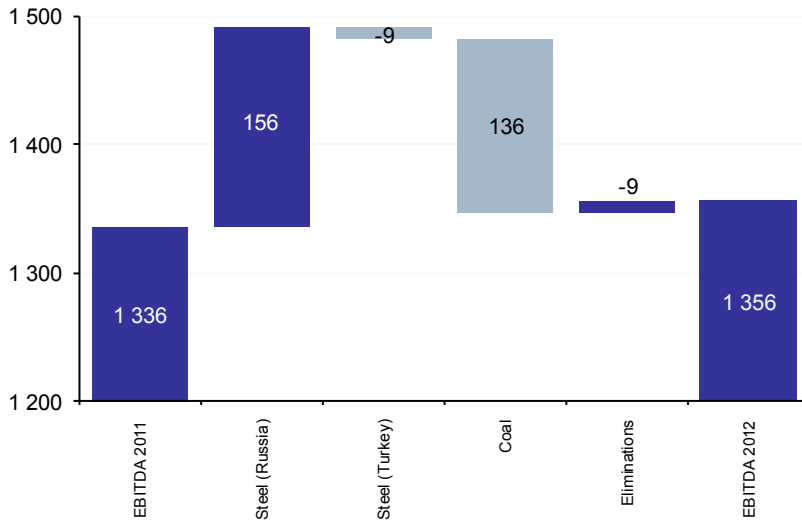


- The main MMK Group 2012 EBITDA growth driver was Russian steel segment profitability growth by 13% y-o-y
- Coal segment EBITDA decrease in 2012 was mostly due to unfavorable market conditions
- Q4 2012 cash-cost of slab decreased mainly due to decreasing raw materials prices and amounted to USD 374

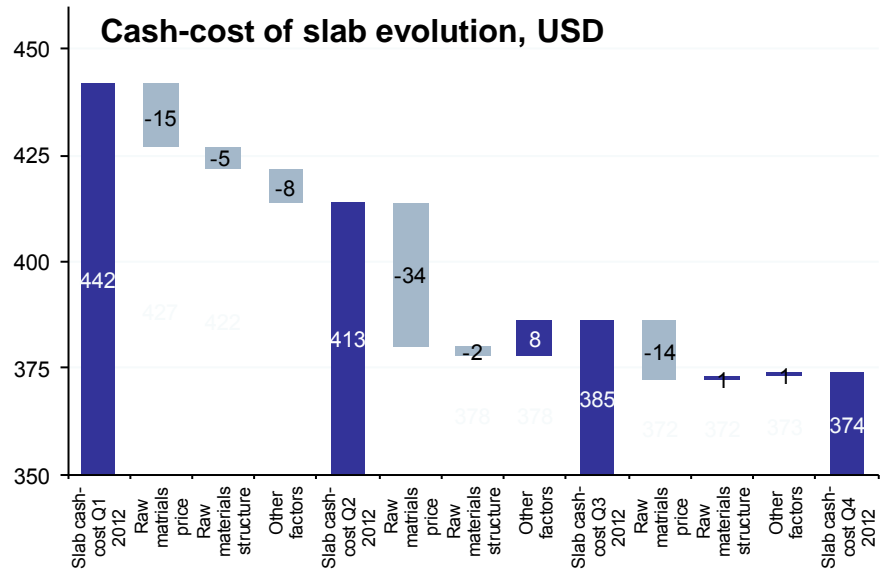
MMK Group EBITDA structure, USD mln



EBITDA analysis, USD mln



Cash-cost of slab evolution, USD





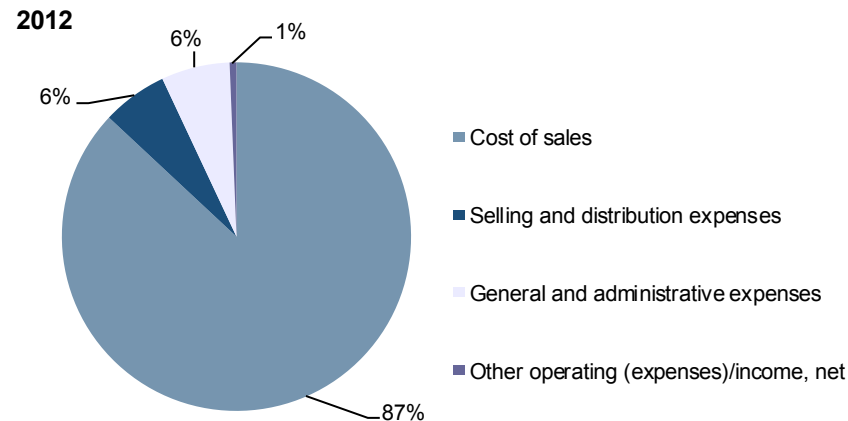
# MMK Group Operating Costs and Cost of Sales Structure



## MMK Group operational costs, USD mln

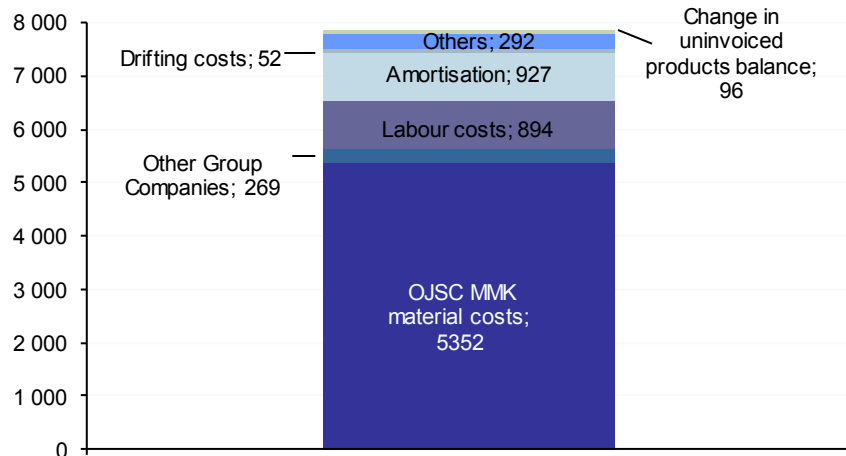
	2012	2011	+/-	%
Cost of sales	7 881	7 756	125	2%
Selling and distribution expenses	549	499	50	10%
General and administrative expenses	575	560	15	3%
Other operating (expenses)/income, net	57	126	-69	-55%
<b>Total operating costs</b>	<b>9 062</b>	<b>8 941</b>	<b>121</b>	<b>1%</b>

## MMK Group operational costs



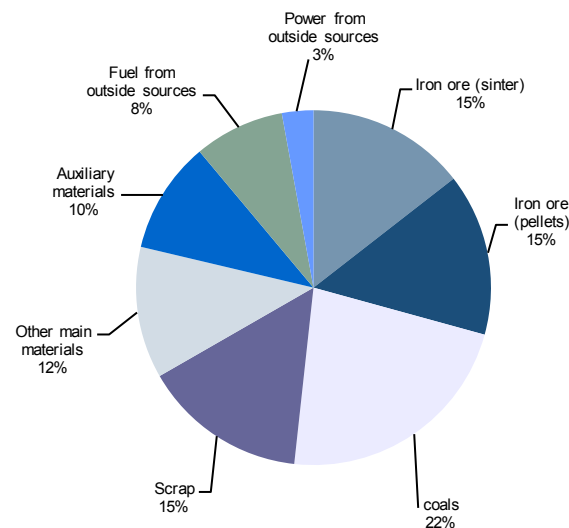
## Cost of sales structure

2012



## OJSC MMK material costs structure

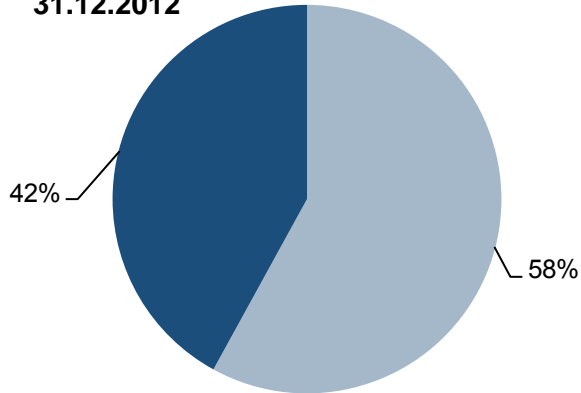
2012





## Debt structure breakdown by maturity profile

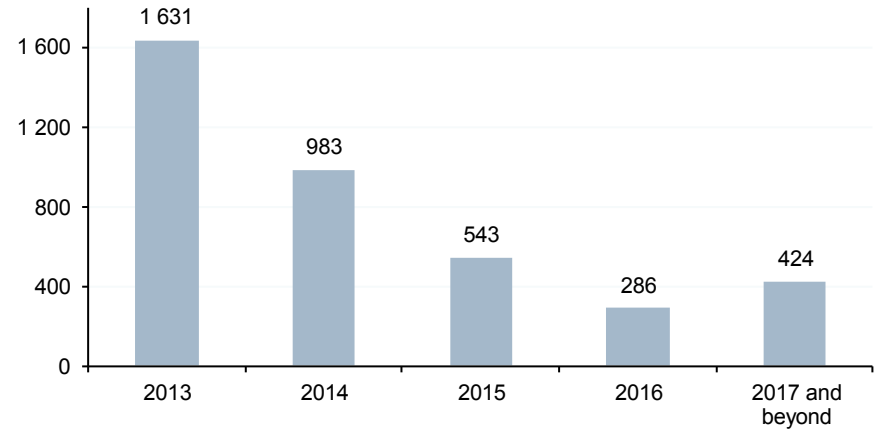
31.12.2012



3,880 USD mln

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

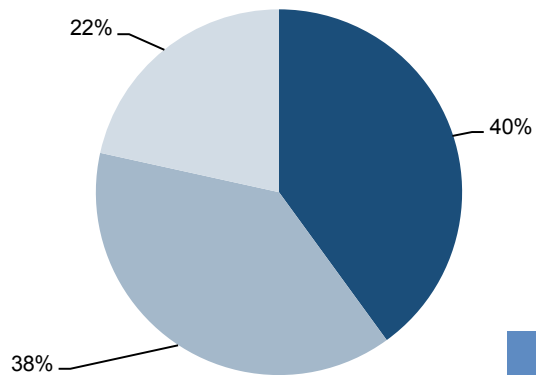
## Debt maturity profile, USD mln



\* Interest rate SWAP not incl.

## Debt structure by currency

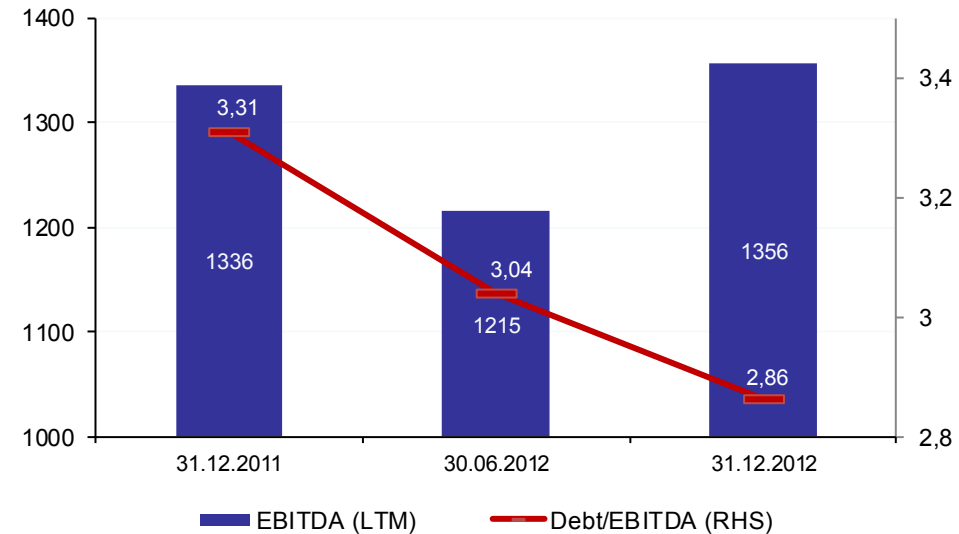
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3,880 USD mln

- EUR
- USD
- Euro

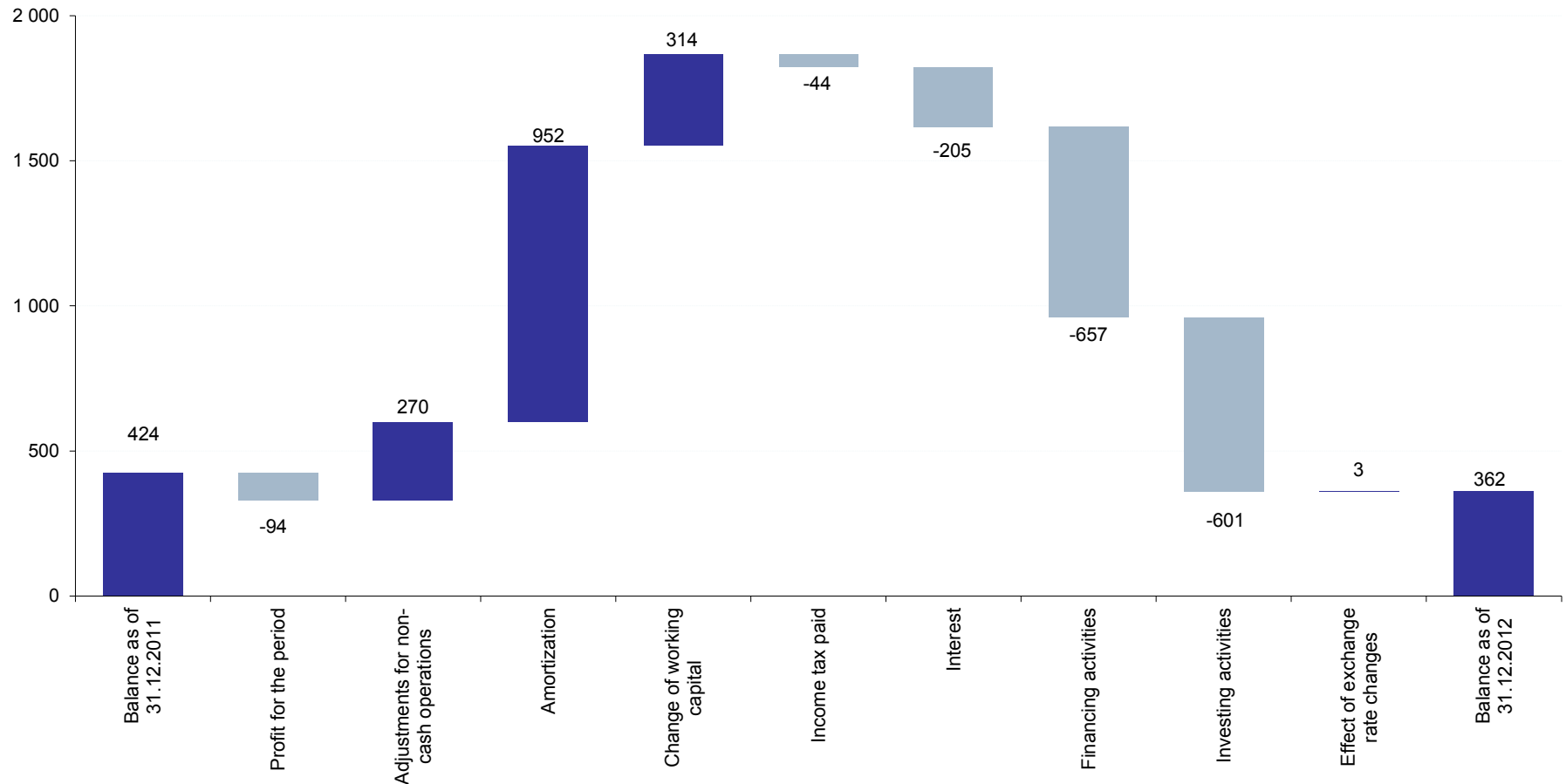
## Effective Debt control, USD mln



# MMK Cash Flow, USD mln



- Capex in Q4 2012 amounted to USD 153 mln, 12M 2012 capex amounted to USD 674 mln (42% down y-o-y)
- 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 314 mln of cash flow in 2012
- 12M 2012 FCF equaled to USD 511 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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