



Magnitogorsk Steel (MMK)

Q3 and 9M 2011 IFRS Financial Results Presentation



9M 2011 Financials

- Revenue USD 7,063 mln – 22% growth to 9M 2010
- Operating profit USD 1,133 mln – 6% decrease to 9M 2010
- EBITDA margin – 16.0%

Q3 2011 Financials

- Revenue USD 2,430 mln – corresponds to the Q2 2011
- Operating profit USD 350 mln – 8% decrease to Q2 2011
- EBITDA margin – 14.4%

Q3 2011 Key Operational Figures

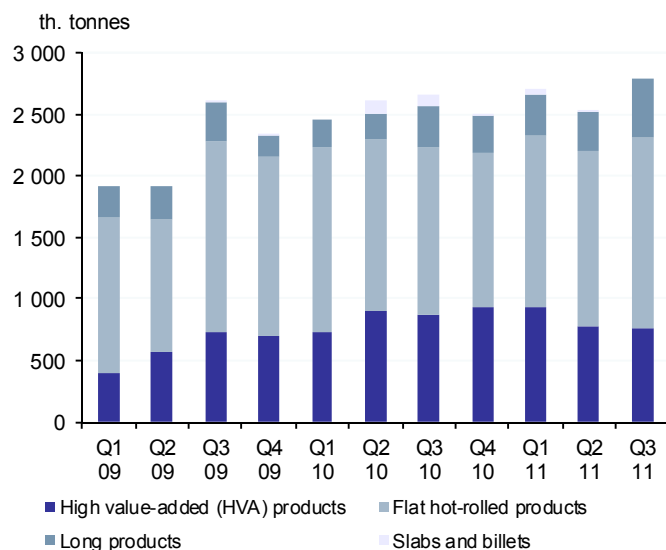
- Finished steel output – 2,953 ths. tonnes
- High value added (HVA) products output – 991 ths. tonnes
- Share of HVA products in sales – 34%
- Share of domestic sales in revenue – 75%



Growth Output Driven by HVA Products

- Finished products output in 9M 2011 rose 6% y-o-y and amounted to 8.3 mln tonnes
- 9M 2011 HVA products output amounted to 3,038 ths. tonnes, 4% higher y-o-y
- Finished steel products at MMK Metalurji in Q3 2011 increased almost in 2.5 times q-o-q. The increase is due to the launch of the full production cycle

Finished products sales



MMK key operational indicators

	Q3 '11	Q2 '11	+/-	9M 11	9M 10	+/-
Cast iron	2 440	2 309	6%	7 219	6 871	5%
Crude steel incl.	3 015	2 792	8%	8 899	8 655	3%
EAF steel	580	412	41%	1 633	1 152	42%
BOF steel	2 435	2 380	2%	7 266	7 503	-3%
Finished products output incl.	2 789	2 527	10%	8 023	7 737	4%
Slabs and billets	0	10	-100%	56	198	-72%
Long products	479	313	53%	1 127	749	50%
Flat hot-rolled products	1 546	1 422	9%	4 364	4 279	2%
High value-added (HVA) products	764	782	-2%	2 475	2 510	-1%
<i>Thick plate (Plate Mill 5000)</i>	178	243	-27%	728	649	12%
<i>Flat cold-rolled products</i>	245	209	17%	725	831	-13%
<i>Downstream products*</i>	341	330	3%	1 022	1 030	-1%
MMK-Metiz finished products	126	114	11%	362	330	10%
MMK Metalurji finished products	167	84	99%	274	111	147%
Belon coking coal concentrate	849	720	18%	2 334	2 118	10%

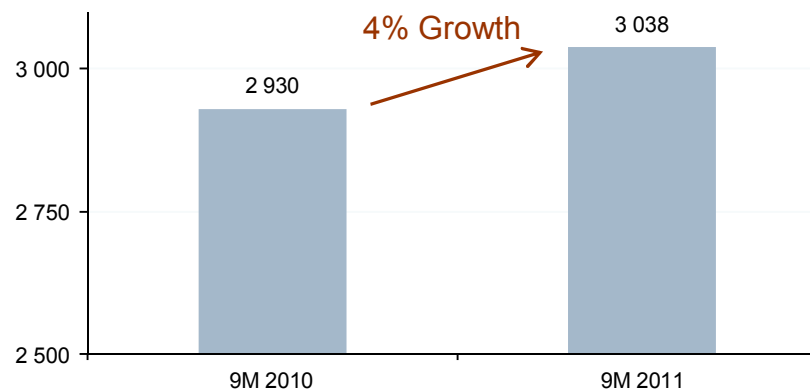
* - galvanized steel products, colour-coated steel products, formed section, band, tin plate, etc.



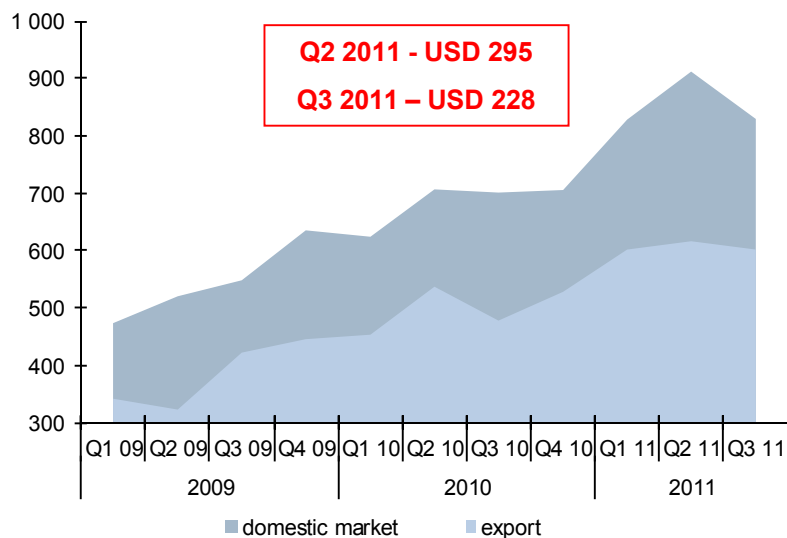
Strong Exposure to Domestic Market

- While retaining presence in key export markets, MMK continues to supply end-customers in Russian and the CIS
- 9M 2011 share of domestic sales was 69%, providing 75% of total revenue
- HVA products satisfy domestic market demand
- Domestic market continues to offer price premium
- Q3 2011 average steel products price per tonne on domestic market was USD 829, on export markets: USD 601

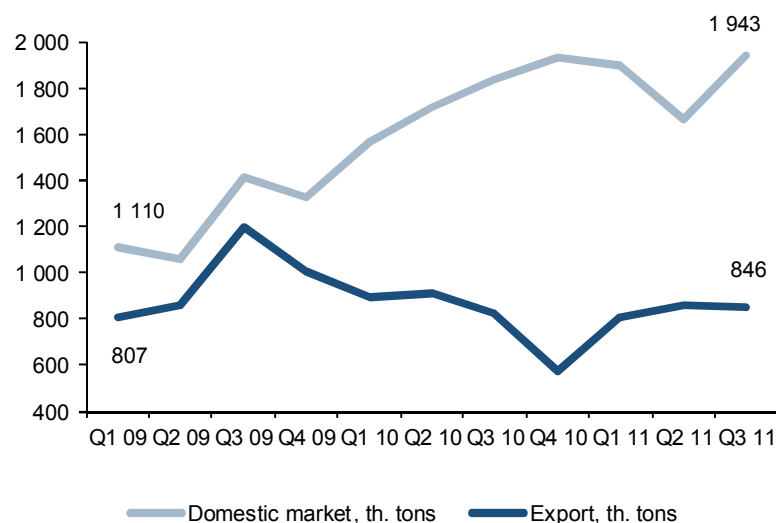
HVA products output growth, ths. tonnes



Domestic market price premium, USD



Sales by market, ths. tonnes



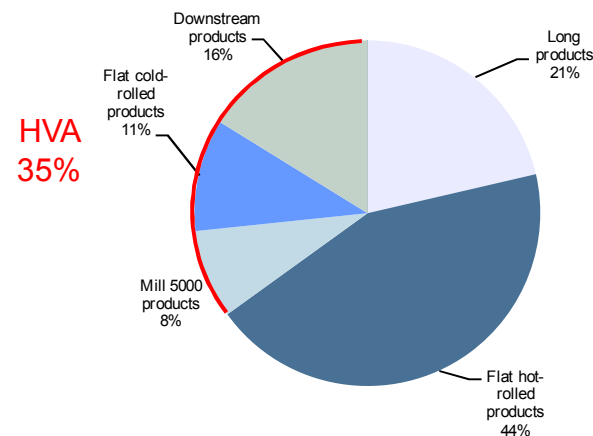


Domestic Sales Structure

- Q3 2011 domestic shipments amounted to 1,943 ths. tonnes. 9M 2011 domestic shipments amounted 5,508 ths. tonnes
- HVA products account for 35% of domestic shipments
- Shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 67% of sales
- MMK’s largest clients remain pipe-makers, car manufacturers, construction and heavy machinery companies

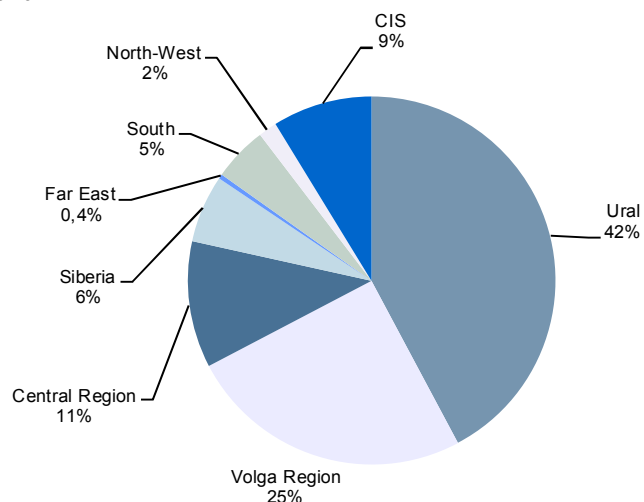
Domestic sales of finished products

Q3 2011



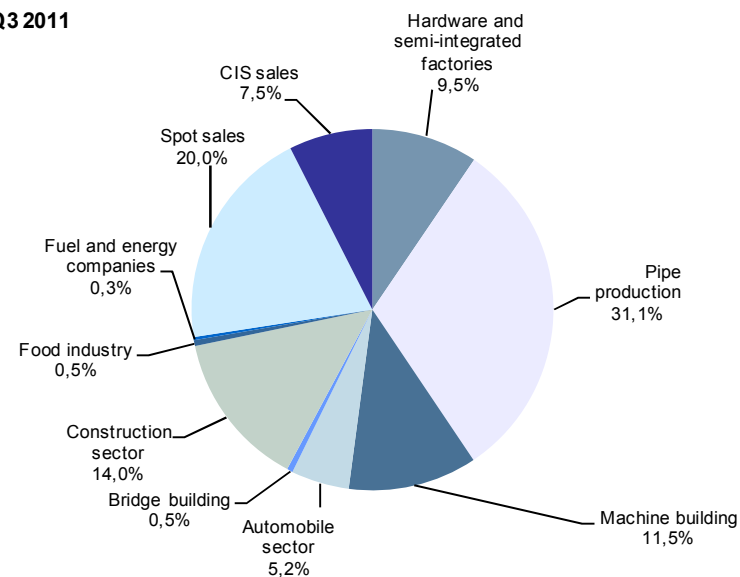
Domestic sales by region

Q3 2011



Domestic sales by industry

Q3 2011

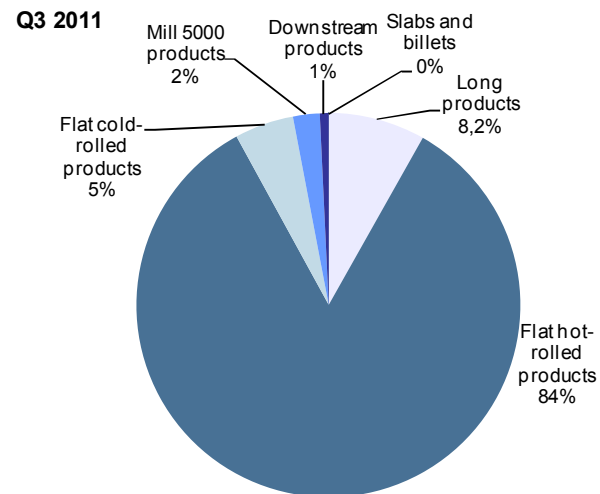




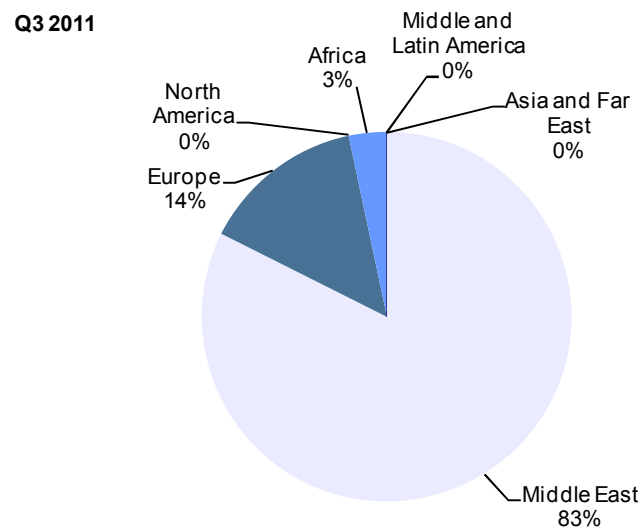
Presence on Key Export Markets

- 9M 2011 MMK export shipments amounted to 2,515 ths. tonnes
- Hot-rolled steel remains the main export product, accounting for 84% of export sales in 9M 2011
- Middle East and Europe remain the largest export markets of MMK
- Exports account for 31% of overall shipments in 9M 2011
- Exports accounted for 25% in 9M 2011 revenues

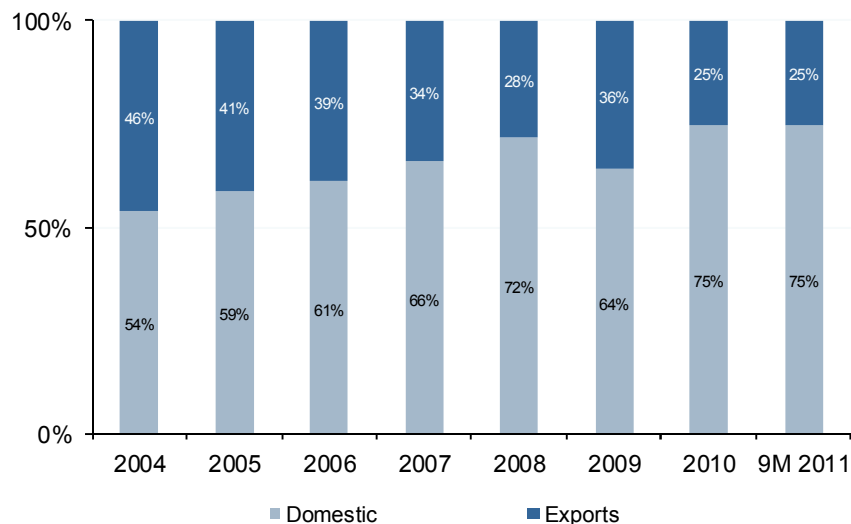
Export shipments by product type



Export shipments by region



Share of export shipments in revenue

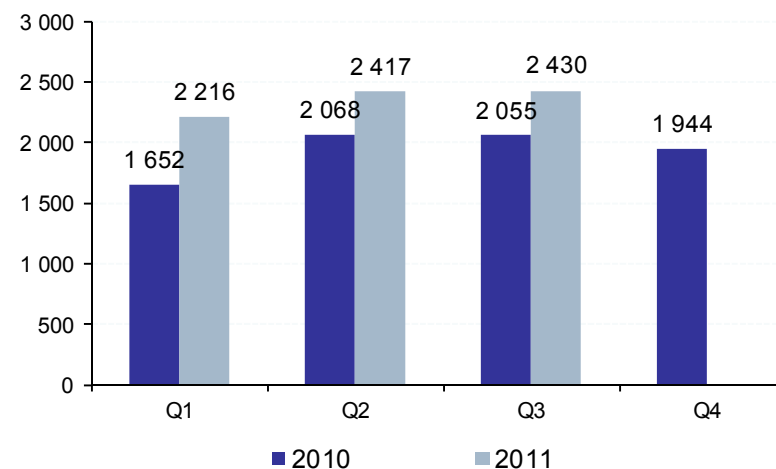




MMK Group Q3 2011 Financial Highlights

- Sales growth in Q3 2011 increased thanks to production volumes growth despite average sales price decline
- Revenue from HVA products sales in Q3 2011 grew at faster pace - up 11% q-o-q
- MMK Group Q3 2011 EBITDA equaled USD 350 mln

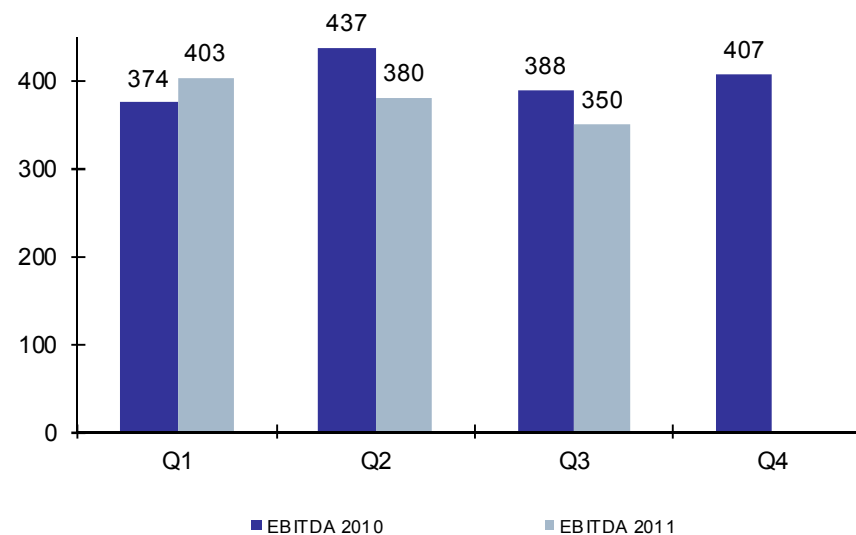
MMK Group revenue, USD mln



MMK Group financial highlights, USD mln

	Q3 11	Q2 11	+/-	%
Revenue	2 430	2 417	13	1%
Operating profit	94	163	-69	-42%
EBITDA	350	380	-30	-8%
<i>EBITDA margin</i>	<i>14,4%</i>	<i>15,7%</i>		
Profit for the period	-205	13	-218	-

MMK Group EBITDA, USD mln

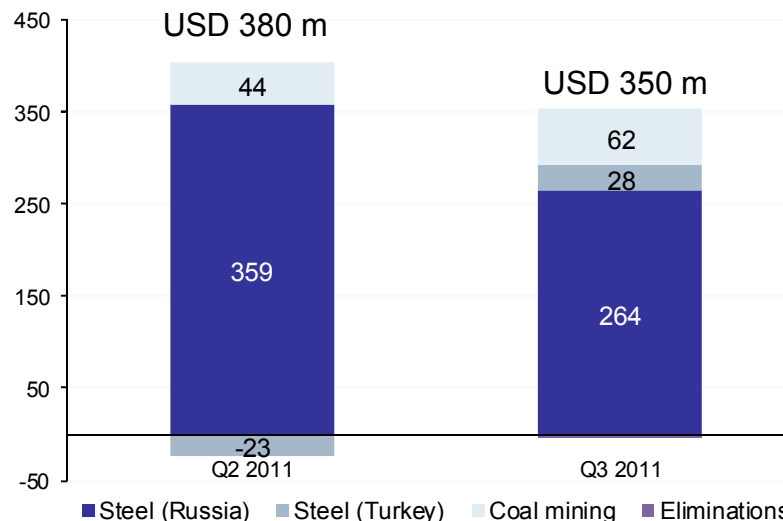




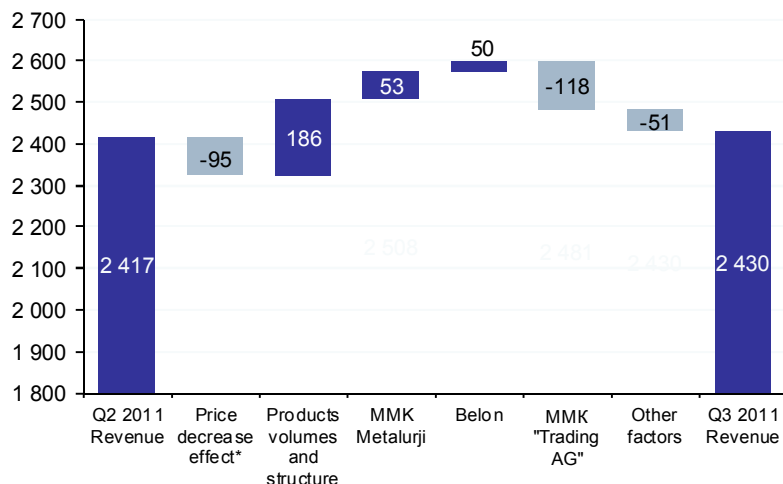
MMK Key Performance Indicators Analysis

- Q3 2011 revenue increased q-o-q due to MMK output volumes growth as well as MMK Metalurji output volumes growth
- Steel segment (Russia) EBITDA decrease in Q3 2011 was compensated by EBITDA growth of MMK Metalurji and coal mining
- Q3 2011 cash-cost of slab declined mainly due to decreasing raw materials prices

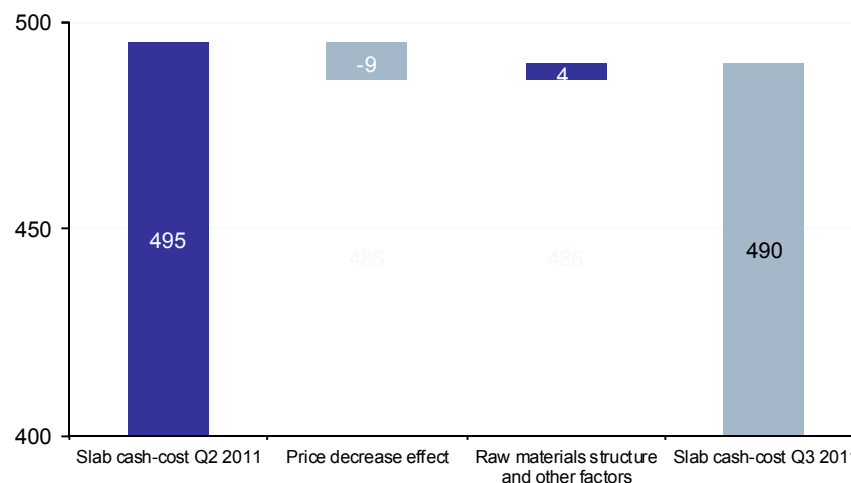
MMK Group EBITDA structure, USD mln



Revenue analysis, USD mln



Cash-cost of slab evolution, USD



* - changes in MMK revenue for domestic market and CIS

Balance Sheet Numbers



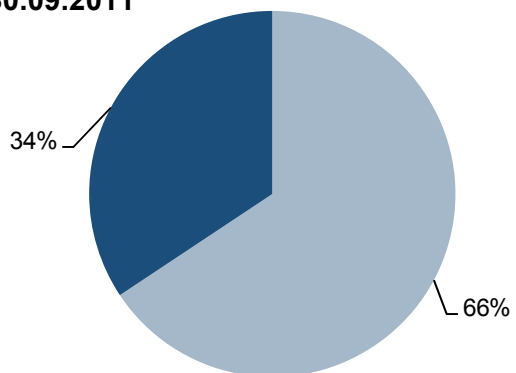
- MMK total assets stood at USD 16,327 mln as of September 30, 2011 – 2% decrease to December 31, 2010
- Property, Plant & Equipment decreased by 4% during Q3 2011 and amounted to USD 11,721 mln at the end of the period
- As of September 30, 2011 total debt equaled to USD 4,391 mln
- Highly liquid assets stood at USD 1,317 mln
- As of September 30, 2011 net debt equaled to USD 3,074 mln



MMK Debt Profile

Debt structure breakdown by maturity profile

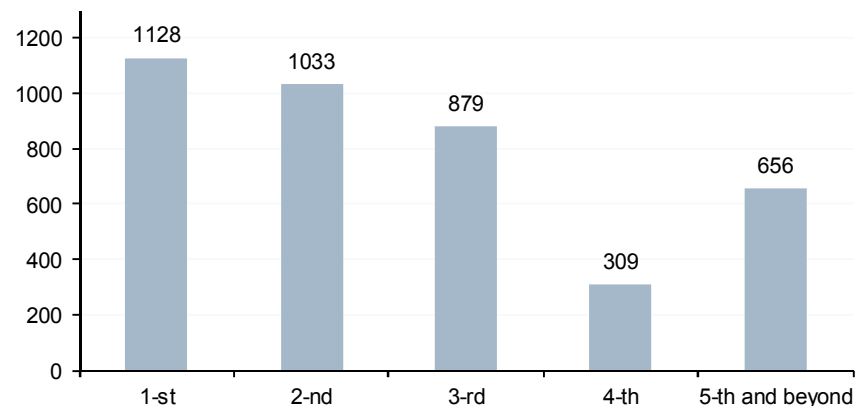
30.09.2011



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

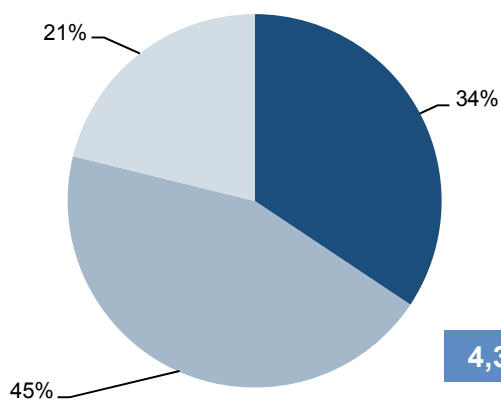
4,391 USD mln*

Debt maturity profile, USD mln



Debt structure by currency

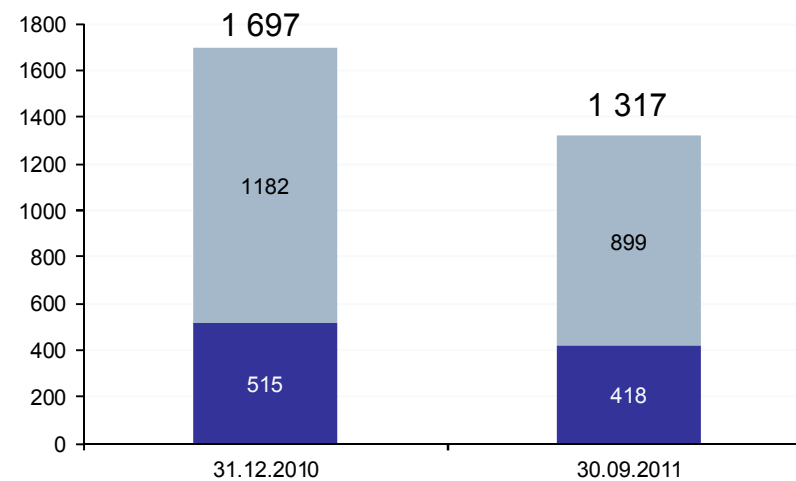
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■ RUR ■ USD ■ Euro

4,391 USD mln*

MMK Group liquid assets, USD mln



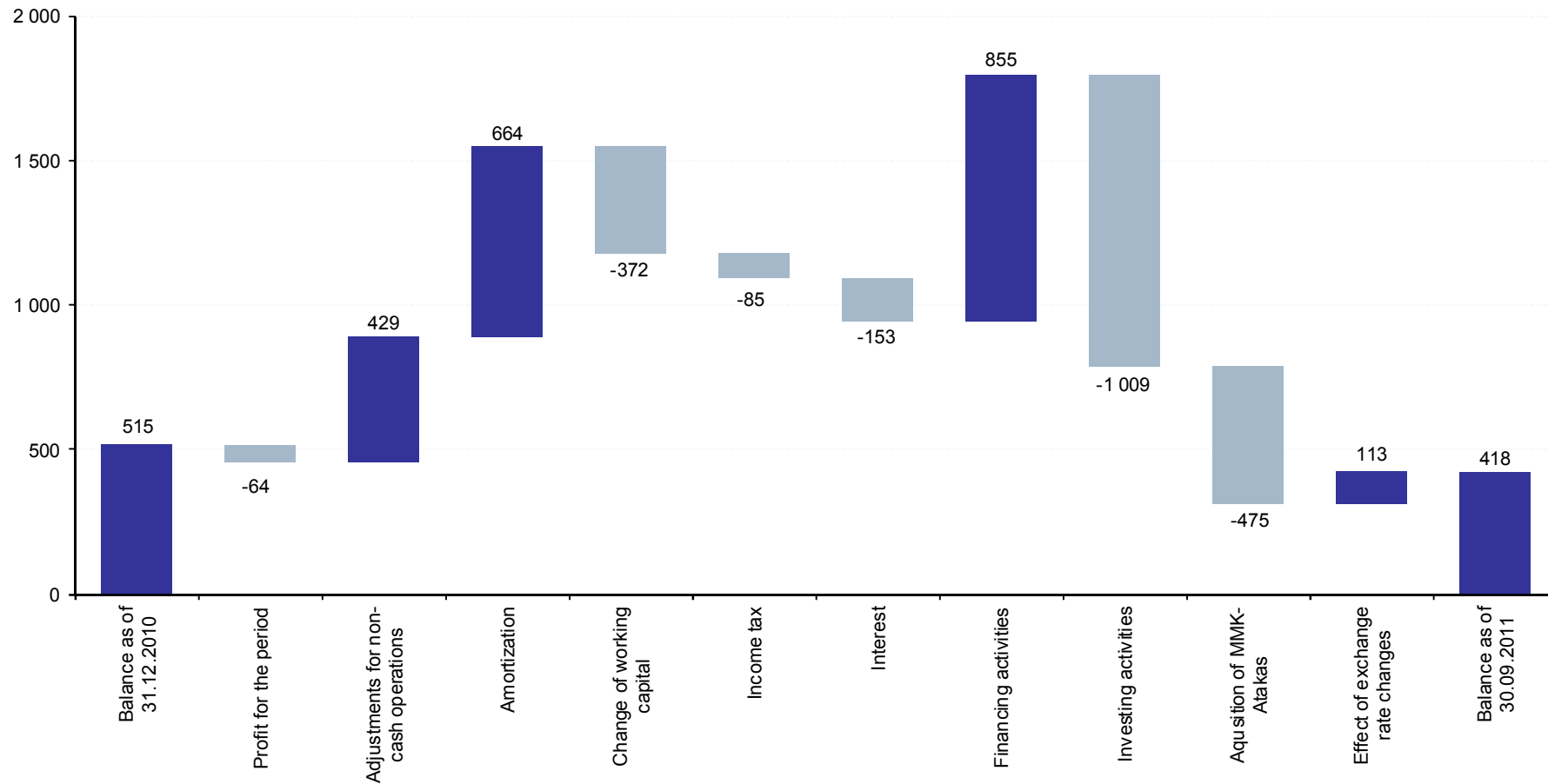
■ Cash and cash equivalents ■ Securities

* Lease incl.

MMK Cash Flow, USD mln



Capex in Q3 2011 amounted to USD 264 mln (USD 328 mln in Q2 2011, USD 381 mln in Q1 2011, USD 543 mln in Q4 2010)





- In Q4 2011 MMK operates at around 80% capacity utilization rate
- We expect positive momentum to recover in 1H 2012 with respect to both demand and steel prices
- Overall Russian steel consumption in 2012 is expected to grow 8 to 10%, mostly driven by the auto manufacturing, machine-building and construction sectors

Future Growth Factors



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



Magnitogorsk Steel (MMK)

Overview of Acquisition of Flinders Mines

Transaction Overview



Transaction description	<ul style="list-style-type: none">• Purchase of 100% of the shares of Flinders Mines
Transaction structure	<ul style="list-style-type: none">• Scheme of arrangement under Australian law
Equity purchase price	<ul style="list-style-type: none">• A\$0.30 per share• A\$554m on a fully diluted basis
Financing	<ul style="list-style-type: none">• Cash and debt
Transaction timetable	<ul style="list-style-type: none">• Australian Foreign Investment Review Board (FIRB) approval expected January/February 2012• Flinders Mines shareholder vote expected March 2012• Transaction completion expected end of March 2012
Main asset	<ul style="list-style-type: none">• Pilbara Iron Ore Project (resource of 917Mt of 55.2% Fe)

Source: Company data

Key Investment Highlights



Significant iron ore development project with robust economics



High quality resource located in stable geographic region



Hedge for MMK Group steel business – increases MMK’s iron ore self sufficiency up to 100%



High quality, experienced management team

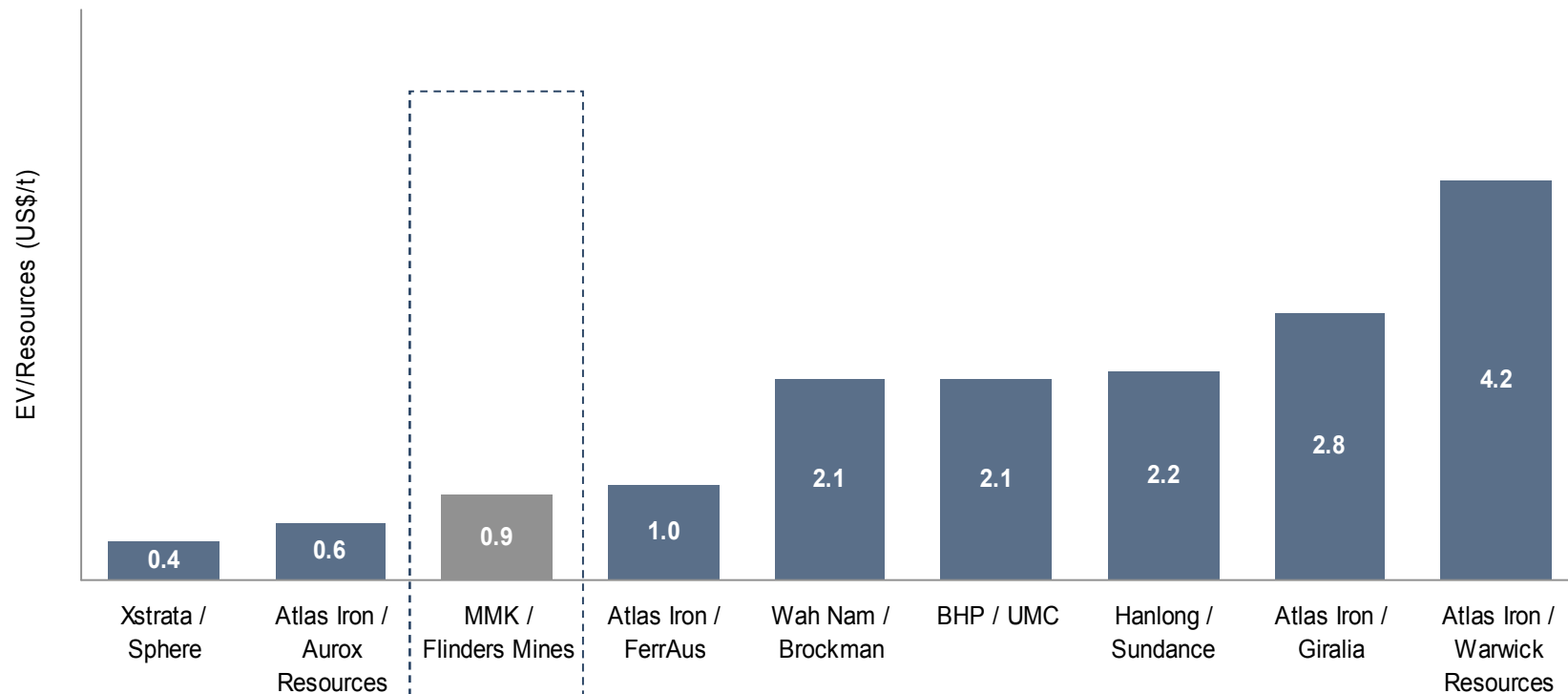


Value accretive for MMK shareholders

Large Resource Base Acquired at Competitive Valuation



Precedent Iron ore EV/Resources multiples



Resources*	1,070	204	561	186	409	92	632	276	15

Source: Company information

Note:

* Assuming Fe basis

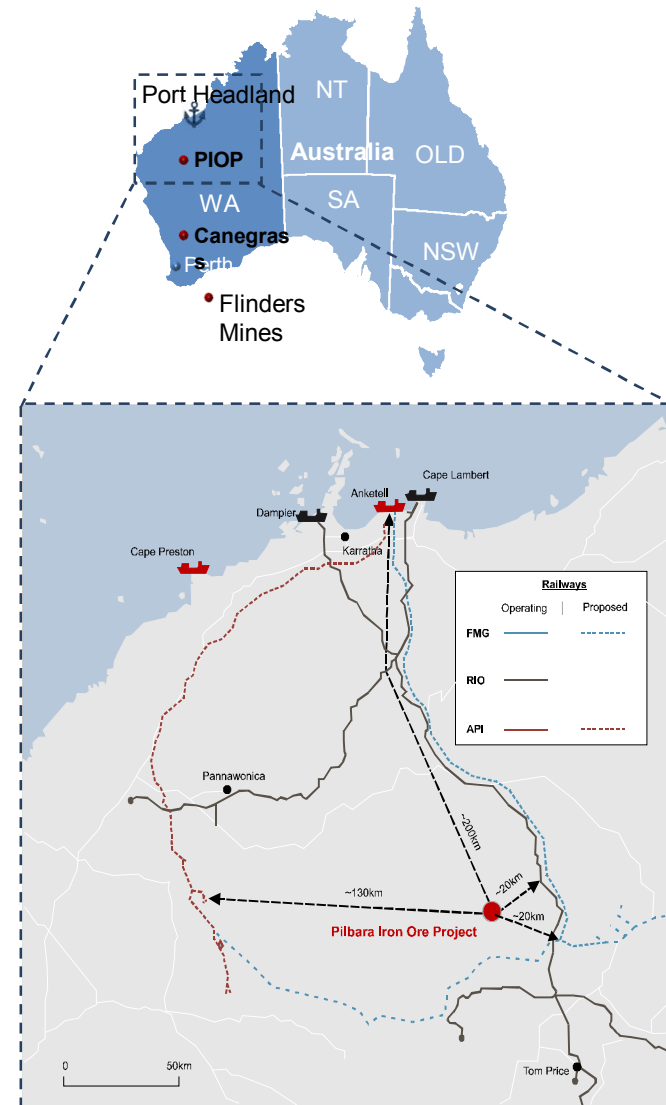
Flinders Mines



Overview

- Australian incorporated pure play iron ore company with assets in Western Australia
- Resource of 917Mt of 55.2% Fe
- Flagship project is the Pilbara iron Ore Project (PIOP) in the West Pilbara region of Western Australia, close to existing and proposed infrastructure
 - PIOP comprises 2 main tenements: Blacksmith and Anvil
 - Strategically located ~220km away from the Anketell port development, close to rail infrastructure (existing and proposed)
- Definitive feasibility study is currently being undertaken. Plans to commence a 15Mtpa operation by late 2014
- Results from the pre-feasibility study confirmed the robust economics of the project
 - DSO product comprising BID mineralisation
 - DID requiring minor beneficiation prior to export
 - CID product

Asset location



Source: Company information

Resource Base Highlights



Key facts

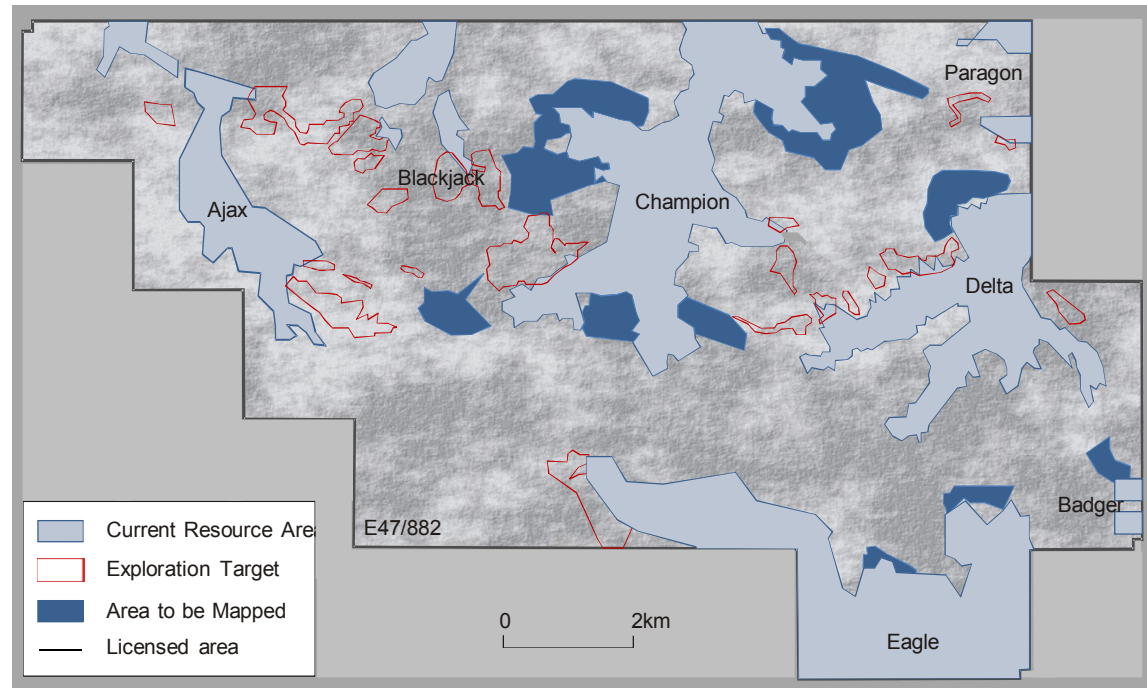
- 917Mt resource @ 55.2% Fe content
- Resource upgraded on 14 November - further exploration upside remains as drill programme continues
 - 110 - 160Mt exploration target
- Resource in shallow and wide deposit making it easy to mine
- 90% of resource is above water table and can be mined with minimal drill and blast

Projects Resource Base

JORC Classification	Tonnage (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Total Inferred	472.6	54.7	10.2	5.0	0.067	5.7
Total Indicated	343.7	55.5	8.9	4.5	0.083	6.2
Total Measured	101.0	56.4	10.5	5.1	0.054	2.8
Total	917.3	55.2	9.7	4.8	0.072	5.6

Source: Company information

Map of Deposit

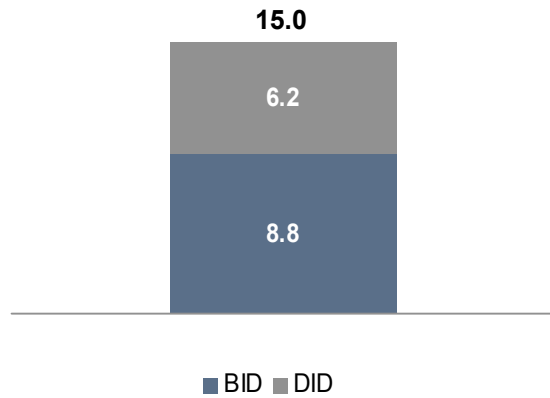


Source: Company information

Key Project Parameters

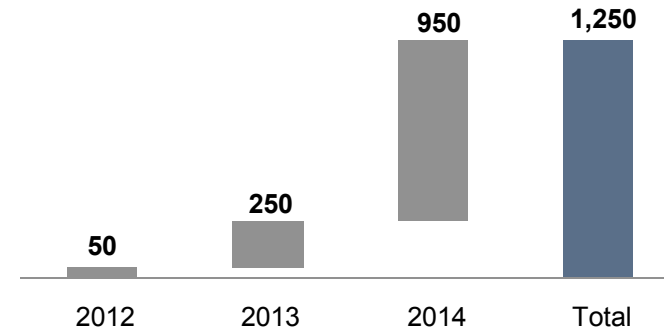


Average annual production (Mt)



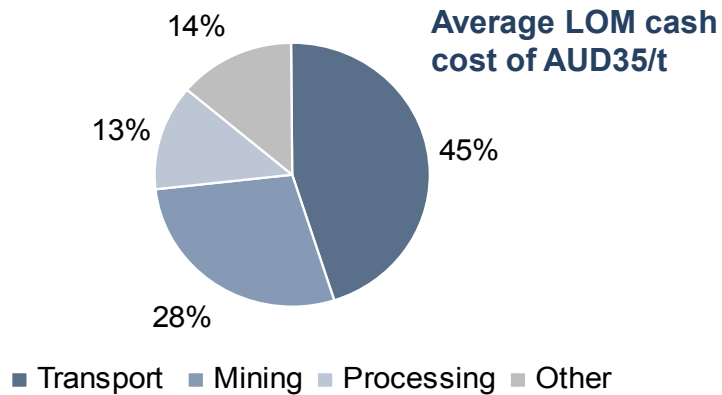
Source: Company data, PFS estimates

Estimated development CAPEX (US\$m)



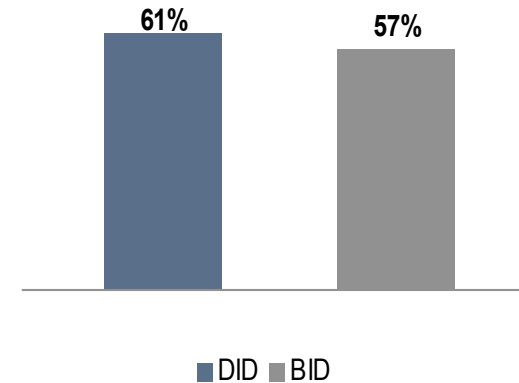
Source: Company data, PFS estimates

Cash cost LoM



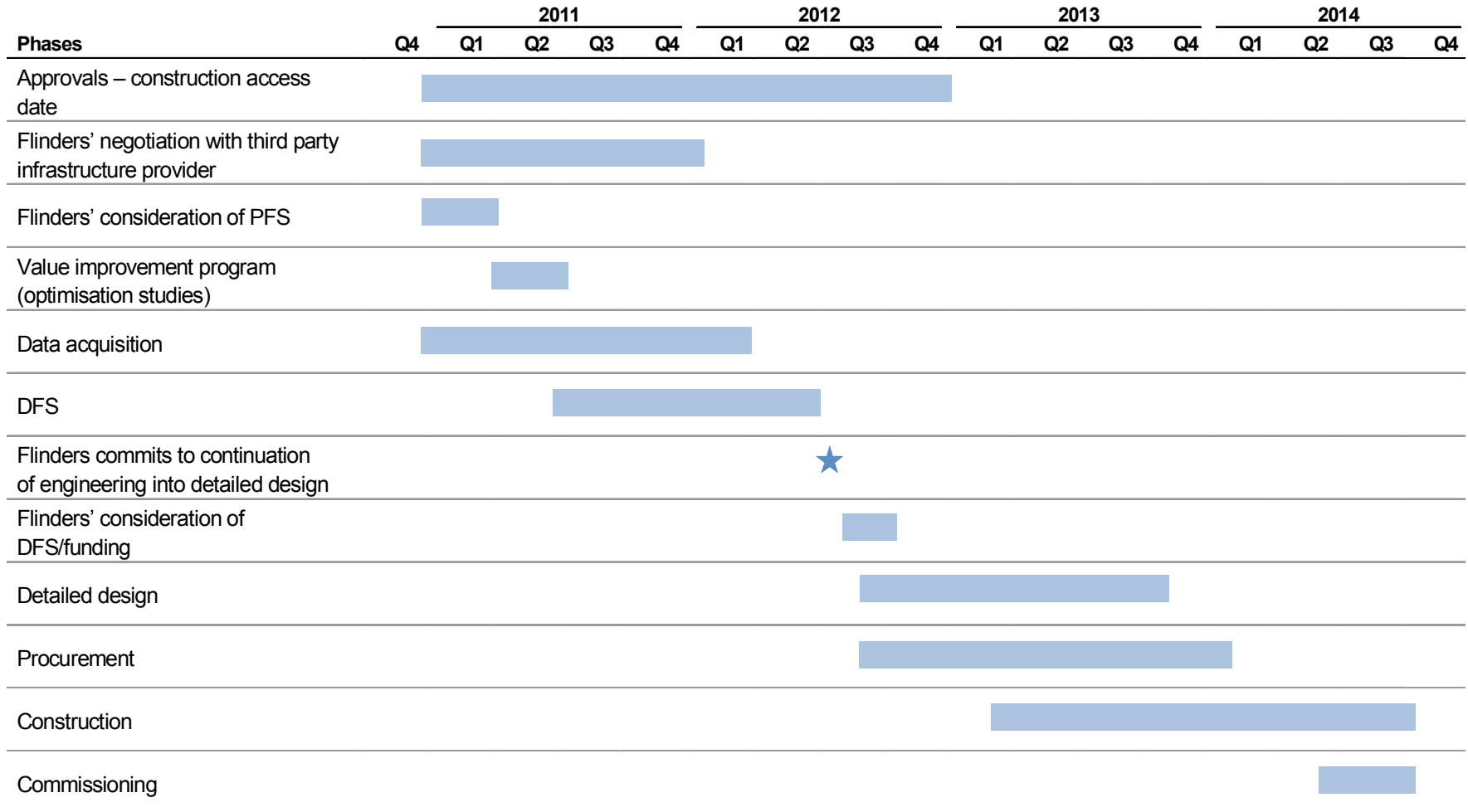
Source: Company data, PFS estimates

Grade (Fe%) LoM



Source: Company data, PFS estimates

Development Schedule



Source: Company information

Next Steps



- FIRB approval
- Flinders shareholder vote – March 2012
- Complete acquisition and implement integration plan
- Continue exploration and drilling program to upgrade resource
- Complete PIOP Definitive Feasibility Study in 2Q 2012
- Secure access to preferred rail and port infrastructure
- Commence construction of mine and associated infrastructure

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