



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



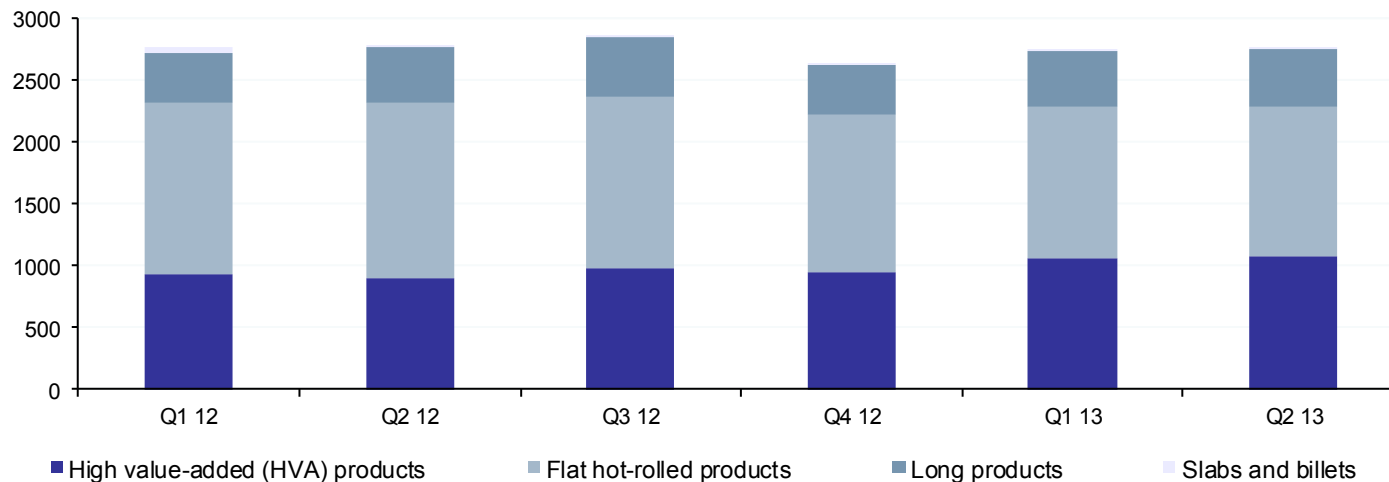
- MMK Group finished products output in Q2 2013 is at the level of Q1 and amounted to 2.8 mln tonnes
- Q2 2013 MMK Group HVA products output amounted to 1,382 ths. tonnes, 2.0% higher q-o-q
- Belon's production of coking coal concentrate in Q2 2013 was 829 ths. tonnes, 24% higher q-o-q

## Key operational indicators

	Q2 '13	Q1 '13	%	H1 '13	H1 '12	%
<b>Cast iron</b>	2 466	2 426	2%	4 892	5 037	-3%
<b>Crude steel incl.</b>	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	-
<b>OJSC MMK Finished products output</b>	2 757	2 744	0,5%	5 501	5 542	-0,7%
<b>MMK-Metiz finished products*</b>	146	134	9%	280	251	12%
<b>MMK Metalurji finished products*</b>	168	178	-6%	346	538	-36%
<b>Belon coking coal concentrate</b>	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

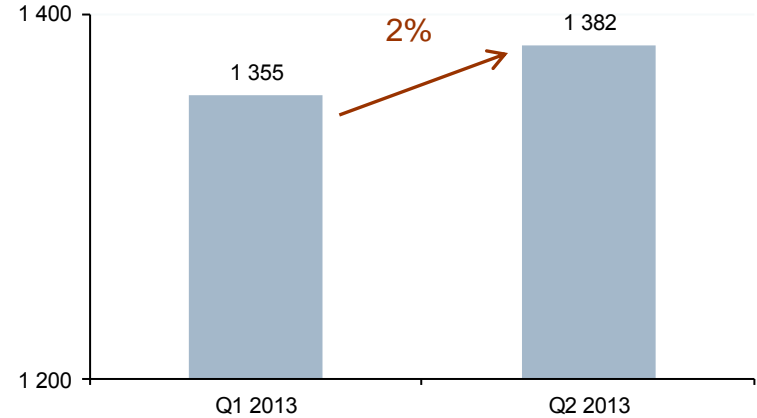


# Strong Exposure to Domestic Market

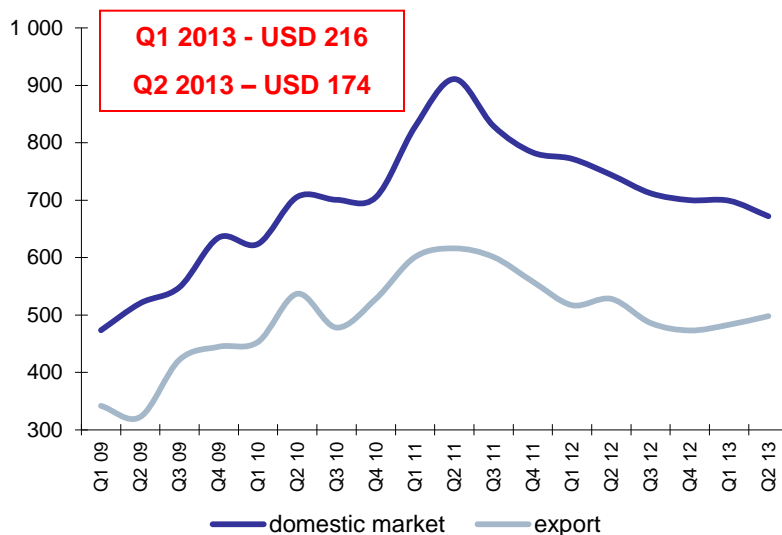


- MMK consider domestic market to be of higher priority for the company due to geographical proximity and better product mix
- MMK Q2 2013 share of domestic sales was 87%, providing 90% of revenue
- Higher share of HVA products in domestic shipments allows MMK to have price premium from domestic sales.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

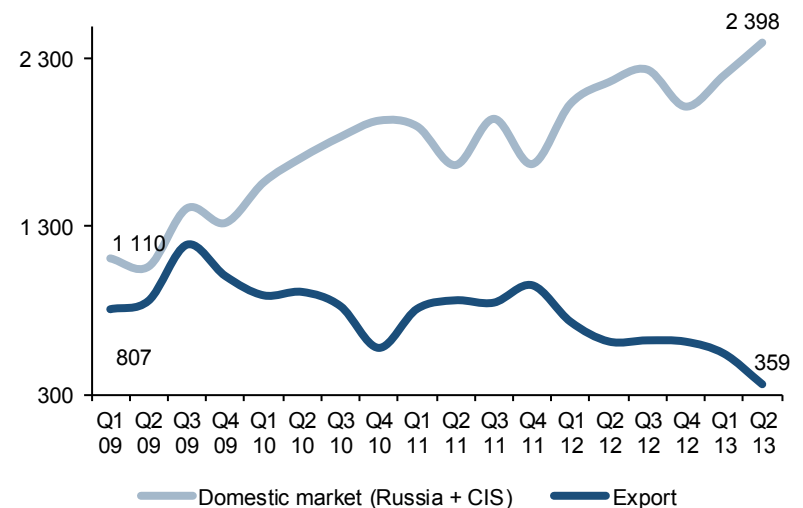
MMK Group HVA products output growth, th. tonnes



Domestic market price premium, USD



OJSC MMK sales by market, ths. tonnes



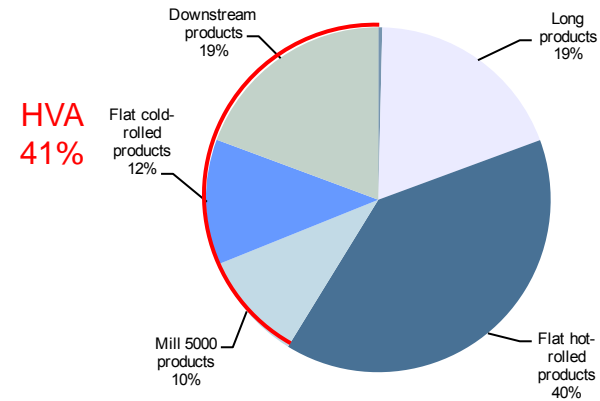
# OJSC MMK Domestic Sales Structure



- 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

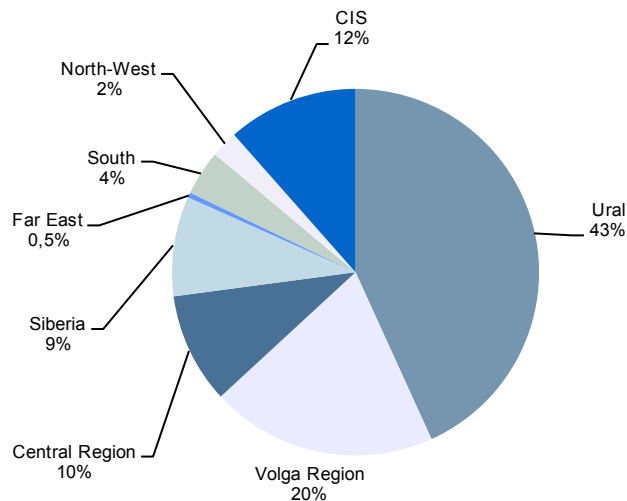
## Domestic sales of finished products

Q2 2013



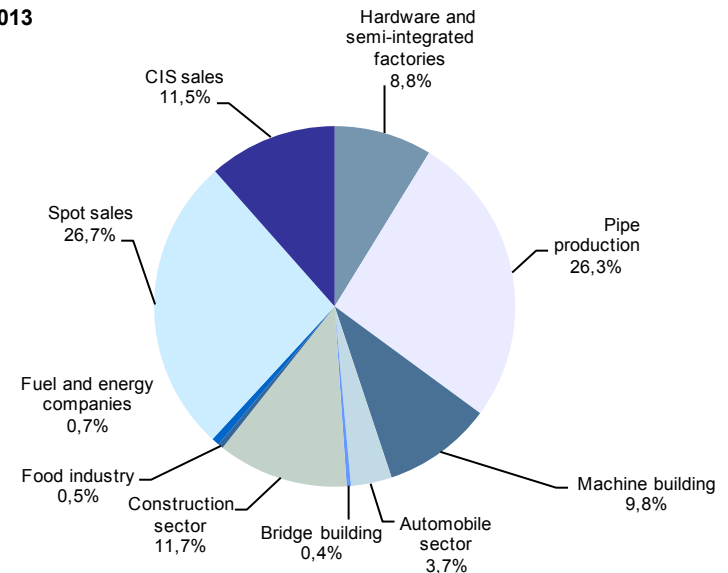
## Domestic sales by region

Q2 2013



## Domestic sales by industry

Q2 2013



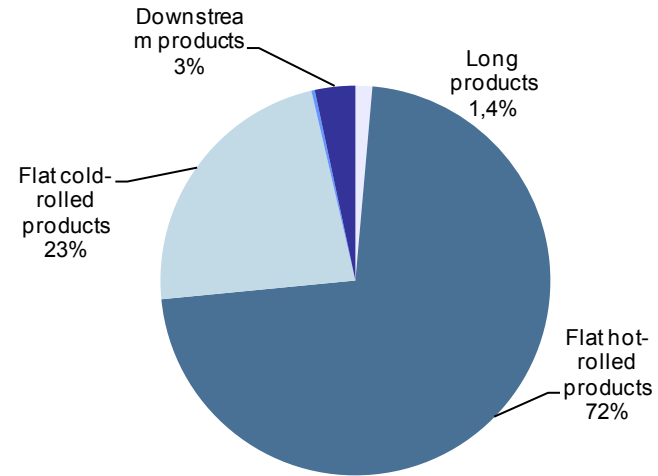
# OJSC MMK Presence on Key Export Markets



- 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

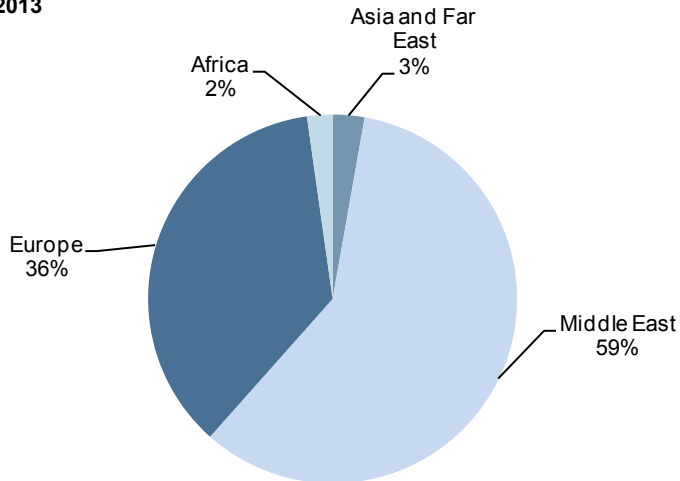
## Export shipments by product type

Q2 2013

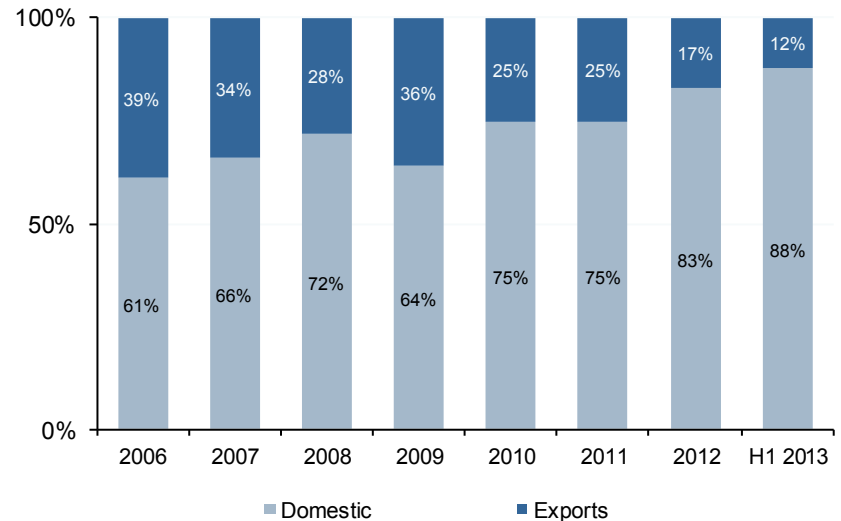


## Export shipments by region

Q2 2013



## Share of export shipments in revenue

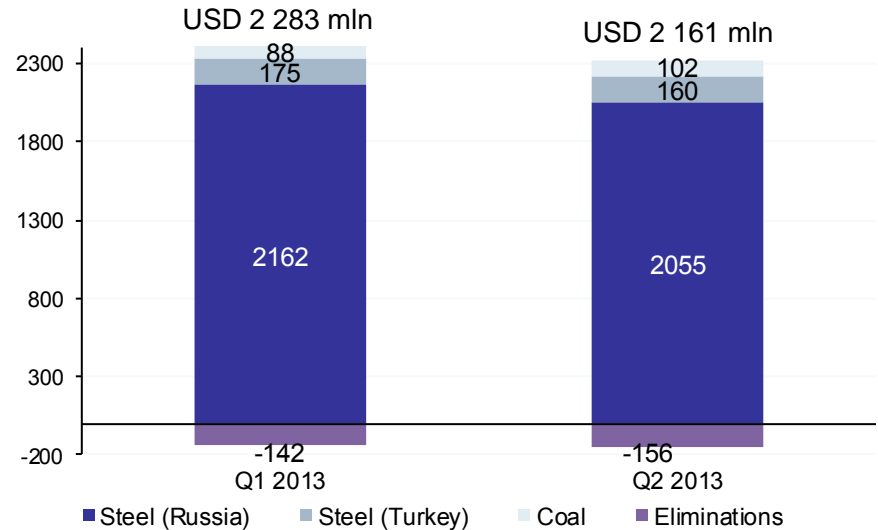


# MMK Group Q2 2013 Financial Highlights



- 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%

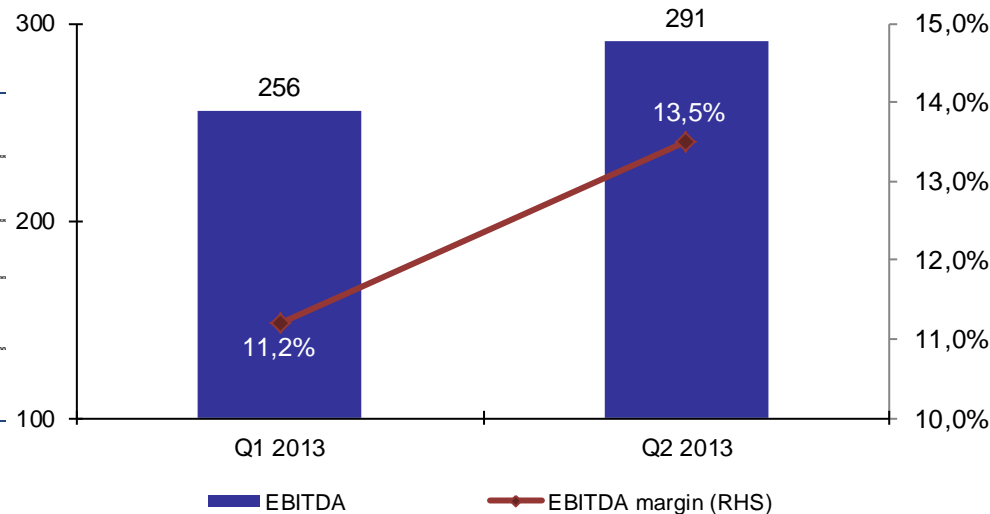
## MMK Group Revenue, USD mln



## 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

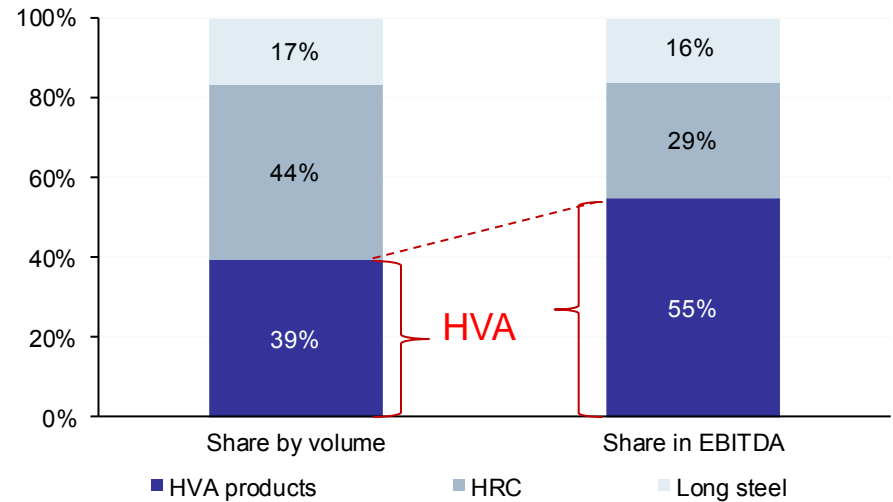


# Key Performance Indicators Analysis

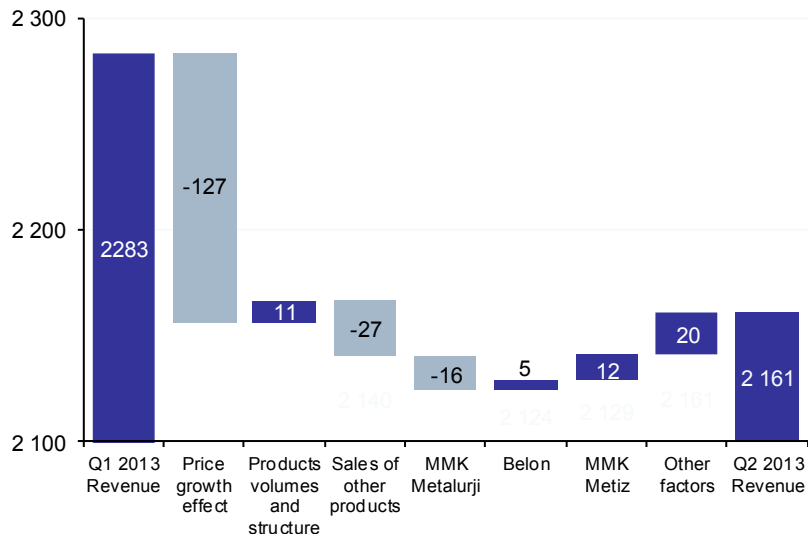


- The main driver, influencing MMK Group Q2 2013 revenue, was decrease of average steel prices
- HVA products are the major contributor to MMK Group EBITDA
- Q2 2013 cash-cost of slab decreased mainly due to falling raw materials prices and amounted to USD 385

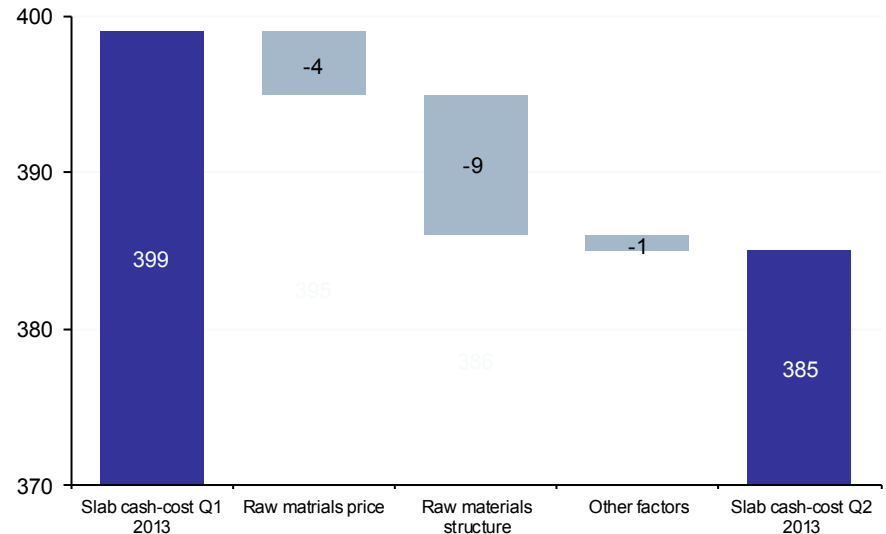
## HVA products Contribution to OJSC MMK EBITDA in Q2 2013



## MMK Group Revenue Analysis, USD mln



## Cash-cost of slab evolution, USD/t





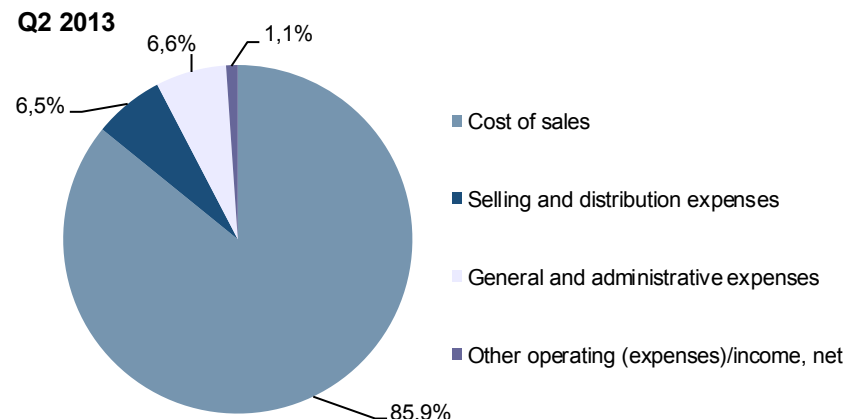
# MMK Group Operating Costs and Cost of Sales Structure



## MMK Group operational costs, USD mln

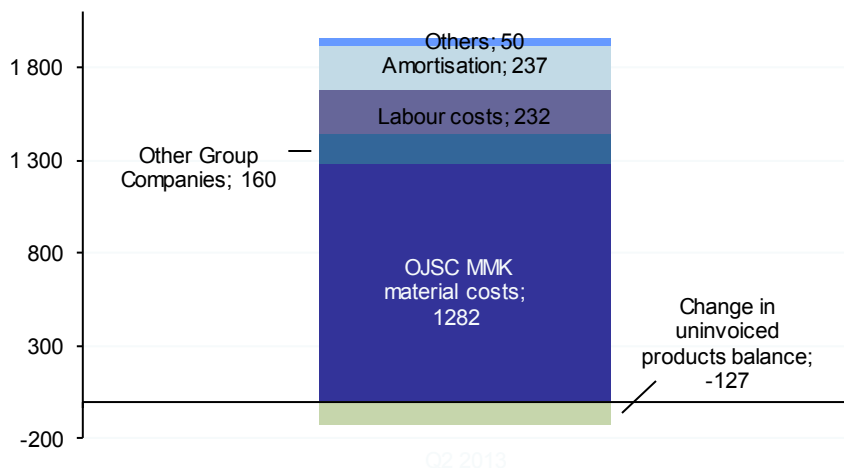
	Q2 13	Q1 13	+/-	%
Cost of sales	1 834	1 968	-134	-6,8%
Selling and distribution expenses	139	172	-33	-19%
General and administrative expenses	140	133	7	5%
Other operating (expenses)/income, net	23	9	14	156%
<b>Total operating costs</b>	<b>2 136</b>	<b>2 282</b>	<b>-146</b>	<b>-6%</b>

## MMK Group operational costs



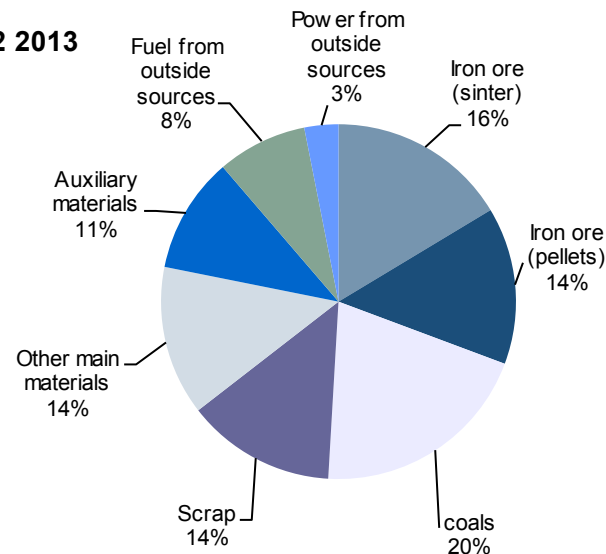
## Cost of sales structure, USD mln

Q2 2013



## OJSC MMK material costs structure

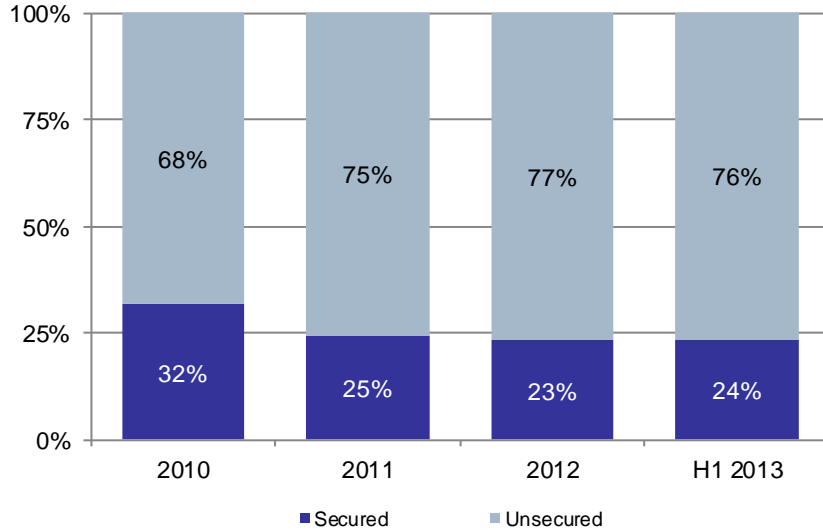
Q2 2013



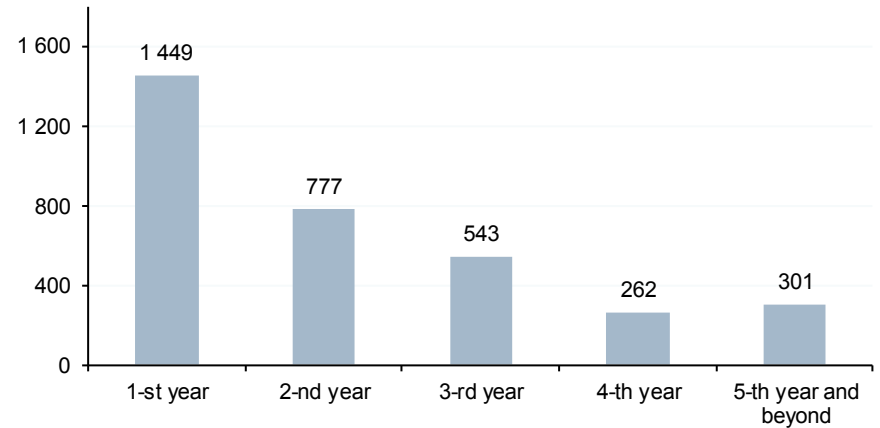
# MMK Group Debt Profile



## Debt structure dynamics by security



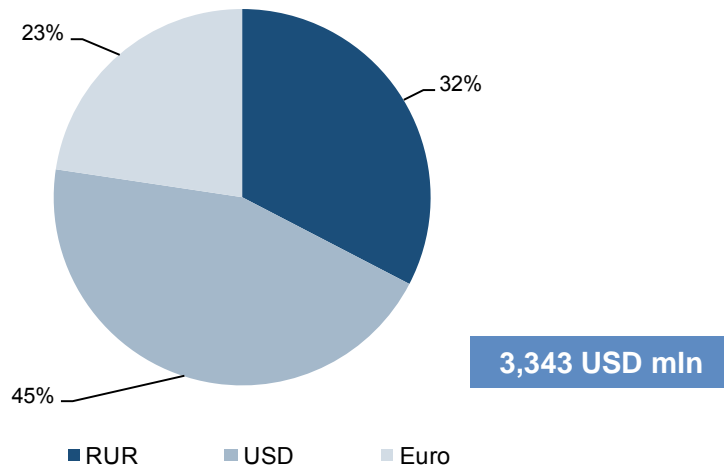
## Debt maturity profile\*, USD mln



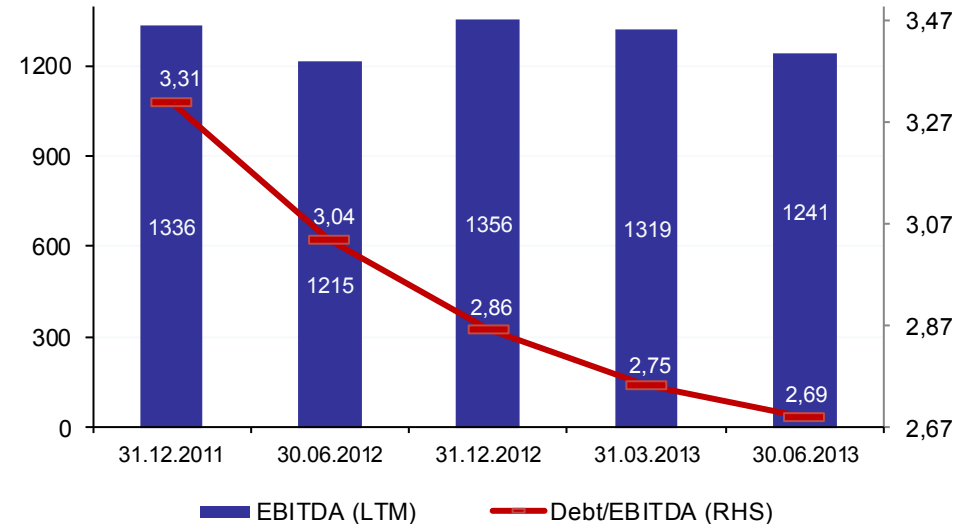
\* Interest rate SWAP not incl.

## Debt structure by currency

30.06.2013



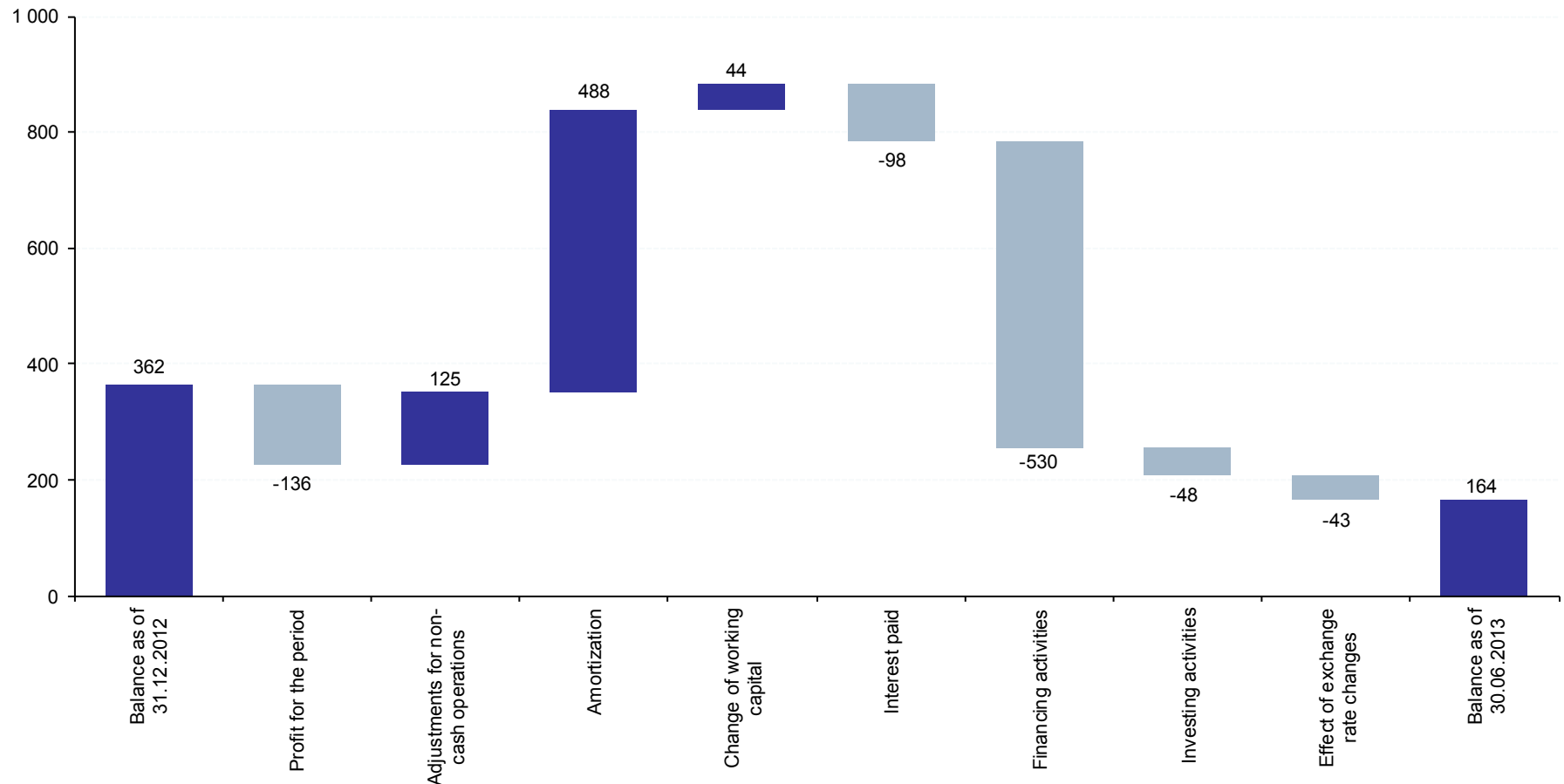
## Effective Debt control, USD mln



# 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



- THIS PRESENTATION IS FOR INFORMATION ONLY.
- THIS PRESENTATION IS FOR DISTRIBUTION IN UK ONLY AMONG THE PEOPLE HAVING PROFESSIONAL SKILL IN THE ISSUES RELATED TO INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, OR THOSE PEOPLE, AMONG WHICH IT MAY BE LAWFULLY DISTRIBUTED. THIS INFORMATION IS CONFIDENTIAL AND PROVIDED TO YOU EXCLUSIVELY FOR YOUR REFERENCE. BY ACCEPTANCE OF THIS INFORMATION THE RECIPIENT HEREOF CONFIRMS THAT HE OR SHE IS A SPECIALIST IN THE SPHERE OF INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, ACTING IN HIS OR HER NATURE.
- THIS PRESENTATION DOES NOT CONSTITUTE AN OFFER OR A PART THEREOF, OR INVITATION TO SELL OR TO ISSUE, OR TO SUBSCRIBE FOR OR OTHERWISE PURCHASE ANY SHARES IN THE COMPANY OR ANY OTHER SECURITIES AND NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.
- THE INFORMATION CONTAINED HEREIN IS SUBJECT TO VERIFICATION, COMPLETION AND MAY BE SIGNIFICANTLY CHANGED. NONE OF THE PERSONS IS LIABLE TO UPDATE OR MAINTAIN TOPICALITY OF THE INFORMATION CONTAINED HEREIN, AND THIS INFORMATION AND OPINIONS REFLECTED THEREIN COULD BE CHANGED WITHOUT ANY NOTIFICATION THEREABOUT.
- THIS INFORMATION DOES NOT CONSTITUTE AN OFFER OF THE SECURITIES TO BE SOLD IN RUSSIA, THE UNITED STATES OR ANY OTHER JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD INTO THE UNITED STATES EXCEPT IN A TRANSACTION REGISTERED UNDER SUCH ACT, OR NOT REQUIRED TO BE REGISTERED THERE UNDER, OR PURSUANT TO AND EXEMPTION FROM REGISTRATION REQUIREMENTS THEREOF. NO OFFERING OF SECURITIES IS BEING MADE INTO THE UNITED STATES. NO SECURITIES WILL BE REGISTERED UNDER THE APPLICABLE SECURITIES ACT OF ANY STATE OR TERRITORIAL ENTITY OF CANADA AND JAPAN. THIS PRESENTATION IS NOT SUBJECT TO MAILING, TRANSFERRING OR OTHER TYPE OF DISTRIBUTION IN THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, OR TO THE TERRITORY OR FROM THE TERRITORY OF THE SPECIFIED COUNTRIES TO THE NAME OF ANY ANALYST IN THE SPHERE OF SECURITIES OR OTHER PERSON IN ANY OF THE SPECIFIED JURISDICTIONS. YOU AGREE TO AVOID FROM DISTRIBUTION OF ANY REPORT RESULTING FROM THE SURVEY OR SIMILAR DOCUMENTS ON THE TERRITORY OF THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, SAVE AS IN ACCORDANCE WITH THE FEDERAL LAWS OF THE UNITED STATES ON SECURITIES INCLUDING SECURITIES ACT, AS WELL AS THE APPLICABLE LAWS OF CANADA, AUSTRALIA AND JAPAN, ACCORDINGLY.
- THIS PRESENTATION INCLUDES THE STATEMENTS RELATED TO THE FUTURE, WHICH REPRODUCE THE INTENTIONS, OPINIONS AND CURRENT EXPECTATIONS OF THE COMPANY. THE STATEMENTS FOR THE FUTURE INCLUDE ANYTHING, WHICH IS NOT A FACT OCCURED. THE COMPANY TRIED TO HIGHLIGHT SUCH STATEMENTS RELATED TO THE FUTURE BY MEANS OF THE WORDS, SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "INTEND", "EVALUATE", "ASSUME", "PLAN", "TO HAVE AN OPINION", "TRY", "FORECAST", "CONTINUE" AND SIMILAR WORDS OR THEIR NEGATIVE FORMS. SUCH STATEMENTS HAD BEEN DONE BASING ON THE ASSUMPTIONS AND ASSESSMENTS, WHICH MAY OCCUR FAULTY, THOUGH THE COMPANY CONSIDERS THEM REASONABLE AT THE CURRENT MOMENT.
- SUCH STATEMENTS RELATED TO THE FUTURE ARE LINKED TO THE RISKS, UNCERTAINTIES AND ASSUMPTIONS, AS WELL AS TO OTHER FACTORS, WHICH MAY LEAD TO THE EVENT THAT ACTUAL RESULTS OF THE COMPANY'S ACTIVITY AND ACTIVITY OF THE MARKETS, ON WHICH IT OPERATES OR INTENDS TO OPERATE IN, THEIR FINANCIAL STATUS, LIQUIDITY, CHARACTERISTICS, PROSPECTS AND ABILITIES COULD MATERIALLY DIFFER FROM THOSE, WHICH ARE EXPRESSED WITH THE HELP OF SUCH STATEMENTS RELATED TO THE FUTURE. THE IMPORTANT FACTORS, WHICH MAY RESULT IN SUCH DIFFERENCES, INCLUDE, INTER ALIA, CHANGING BUSINESS CONDITIONS AND OTHER MARKET CONDITIONS, COMMON ECONOMIC CONDITIONS IN RUSSIA, EU COUNTRIES, THE UNITED STATES OF AMERICA OR ANYWHERE ELSE, AS WELL AS THE ABILITY OF THE COMPANY TO MEET THE TRENDS IN THE INDUSTRY. THE MATERIAL DIFFERENCE OF THE ACTUAL RESULTS, FEATURES AND ACHIEVEMENTS MAY BE THE RESULT OF ADDITIONAL FACTORS. THE COMPANY AND ALL ITS DIRECTORS, OFFICERS, EMPLOYEES AND ADVISORS HEREWITH STATE THAT THEY ARE NOT OBLIGED TO ISSUE ANY UPDATE OF OR REVISE ANY STATEMENTS RELATED TO THE FUTURE CONTAINED HEREIN, OR DISCLOSE ANY CHANGES IN THE FORECASTS OF THE COMPANY OR EVENTS, CONDITIONS AND CIRCUMSTANCES, WHICH SUCH STATEMENTS RELATED TO THE FUTURE ARE BASED ON, SAVE AS IN THE CASES PROVIDED FOR BY THE APPLICABLE LAWS.
- RECEIPT OF ANY COPY OF THIS INFORMATION TESTIFIES THE ACCEPTANCE OF THE ABOVE LIMITATIONS.