



Magnitogorsk Steel (MMK)

## Q1 2012 IFRS Financial Results Presentation



## Q1 2012 Financials

- Revenue USD 2,425 mln – 8% growth to Q4 2011
- EBITDA USD 293 mln – 44% growth to Q4 2011
- EBITDA margin – 12.1%, 3 percentage points growth q-o-q

## Q1 2012 Key Operational Figures

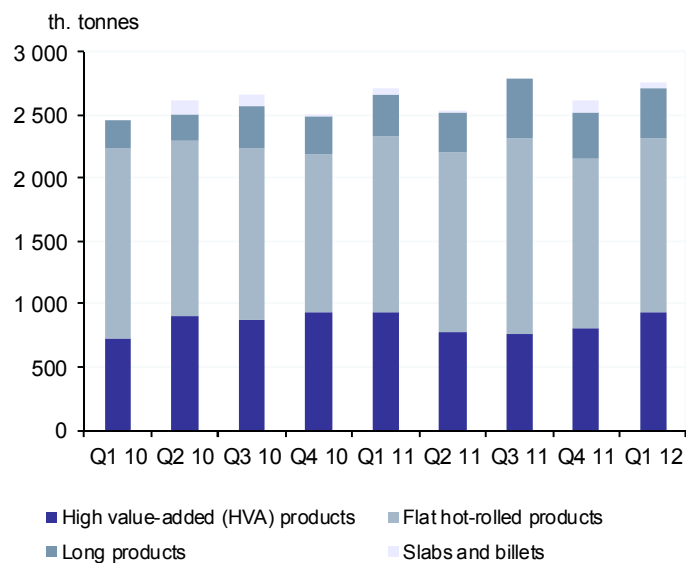
- MMK Group finished steel products output – 3,021 ths. tonnes
- High value added (HVA) products output - 1,199 ths. tonnes
- Share of HVA products in sales, MMK Group – 40%
- Share of domestic sales in revenue – 81%



## Growth Output Driven by HVA Products

- MMK Group finished products output in Q1 2012 rose 6% q-o-q and amounted to 3.0 mln tonnes
- Q1 2012 MMK Group HVA products output amounted to 1,199 ths. tonnes, 17% higher q-o-q
- Belon's production of coking coal concentrate in Q1 2012 was 776 ths. tonnes, 12% lower q-o-q

### OJSC MMK finished products sales



### Key operational indicators

	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
<b>Cast iron</b>	2 479	2 277	9%	2 479	2 471	0%
<b>Crude steel incl.</b>	3 117	2 826	10%	3 117	3 092	1%
MMK	3 117	2 826	10%	3 117	3 092	1%
MMK Metalurji	300	283	6%	300	0	-
<b>OJSC MMK Finished products output incl.</b>	2 766	2 623	5%	2 766	2 707	2%
Slabs and billets	45	102	-56%	45	45	0%
Long products	401	372	8%	401	335	20%
Flat hot-rolled products	1 380	1 343	3%	1 380	1 396	-1%
High value-added (HVA) products	939	807	16%	939	931	1%
<i>Thick plate (Plate Mill 5000)</i>	248	171	45%	248	307	-19%
<i>Flat cold-rolled products</i>	316	302	5%	316	272	16%
<i>Downstream products*</i>	374	334	12%	374	352	6%
<b>MMK-Metiz finished products</b>	110	103	7%	110	123	-11%
<b>MMK Metalurji finished products</b>	253	233	9%	253	28	x9
<b>Belon coking coal concentrate</b>	776	882	-12%	776	766	1%

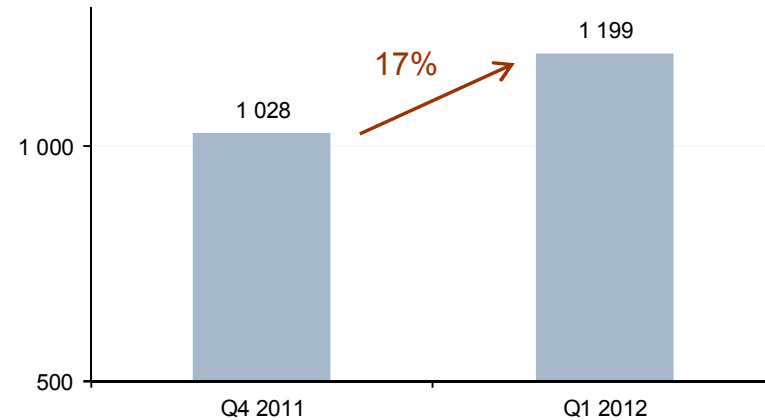
\* - galvanized steel products, colour-coated steel products, formed section, band, tin plate, etc.

# Strong Exposure to Domestic Market

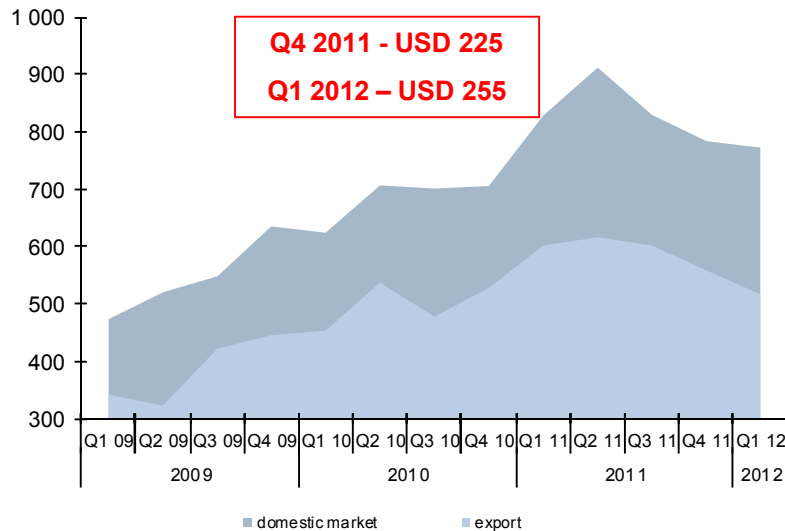


- While retaining presence in key export markets, MMK continues to supply end-customers in Russian and the CIS
- Q1 2012 share of domestic sales was 73%, providing 81% of total revenue
- HVA products satisfy domestic market demand
- Higher share of HVA products in domestic shipments allows MMK to have price premium from domestic sales. Q1 2012 average steel products price per tonne on domestic market was USD 772, on export markets – USD 517

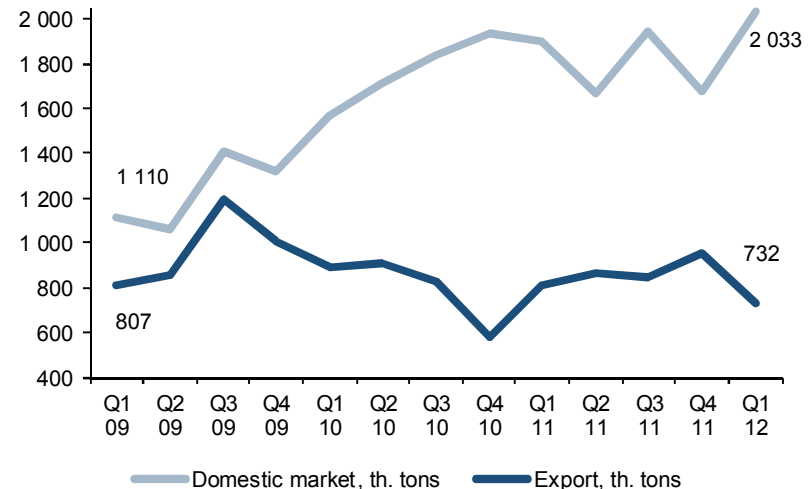
MMK Group HVA products output growth, th. tonnes



Domestic market price premium, USD



Sales by market, ths. tonnes



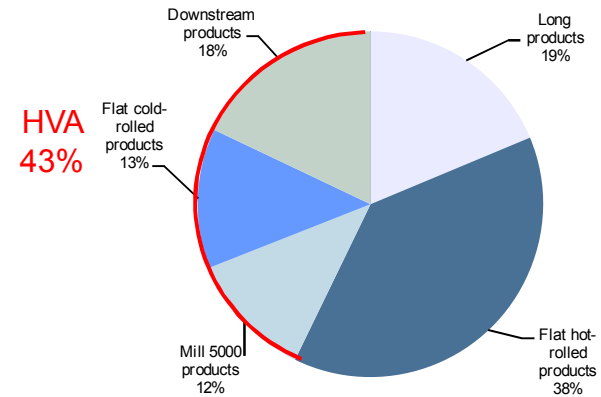
# OJSC MMK Domestic Sales Structure



- Q1 2012 domestic shipments amounted to 2,033 ths. tonnes
- HVA products account for 43% of domestic shipments in Q1 2012
- In Q1 2012 shipments to the highest metal-consuming regions – the Urals and Volga Region - accounted for 66% of sales
- MMK’s largest clients remain pipe-makers, car manufacturers, construction and heavy machinery companies

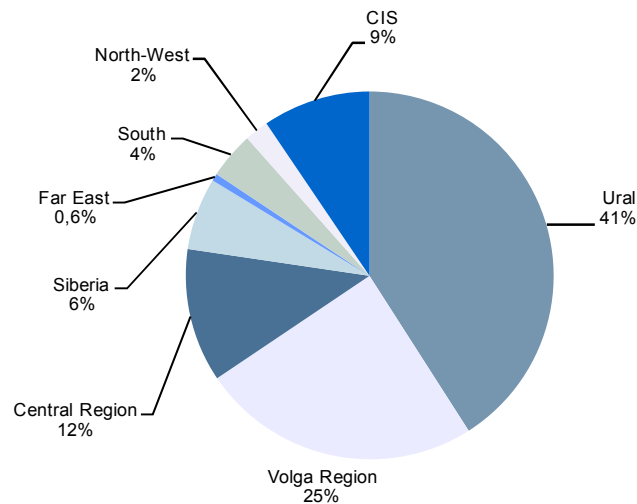
## Domestic sales of finished products

Q1 2012



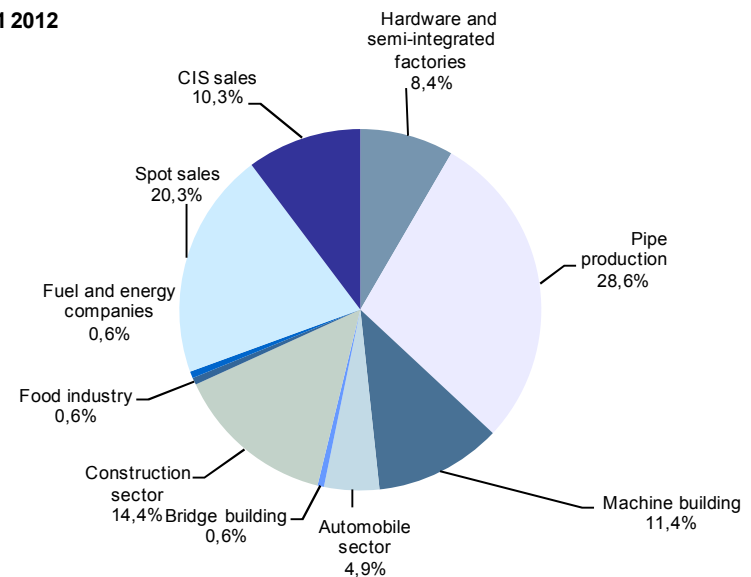
## Domestic sales by region

Q1 2012



## Domestic sales by industry

Q1 2012

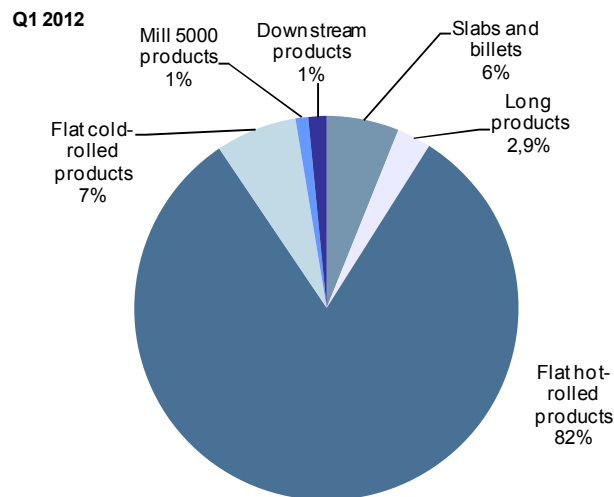




# OJSC MMK Presence on Key Export Markets

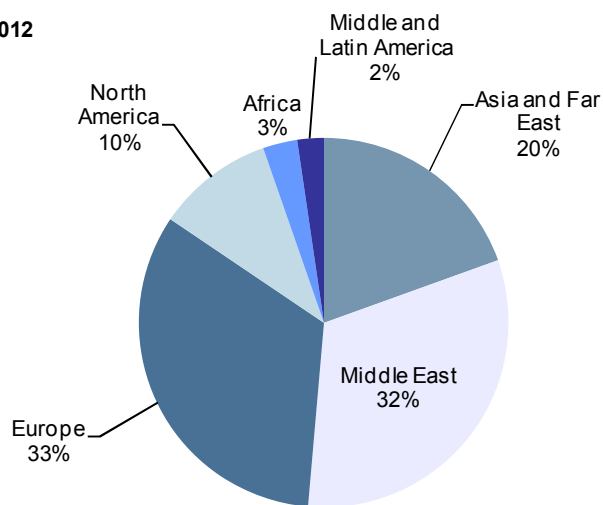
- Q1 2012 export shipments amounted to 732 th. tonnes
- Hot-rolled steel remains the main export product, accounting for 82% of export sales in Q1 2012
- Middle East and Europe remain the largest export markets of MMK
- Exports account for 26% of overall shipments in Q1 2012
- Exports accounted for 19% in Q1 2012 revenues

**Export shipments by product type**

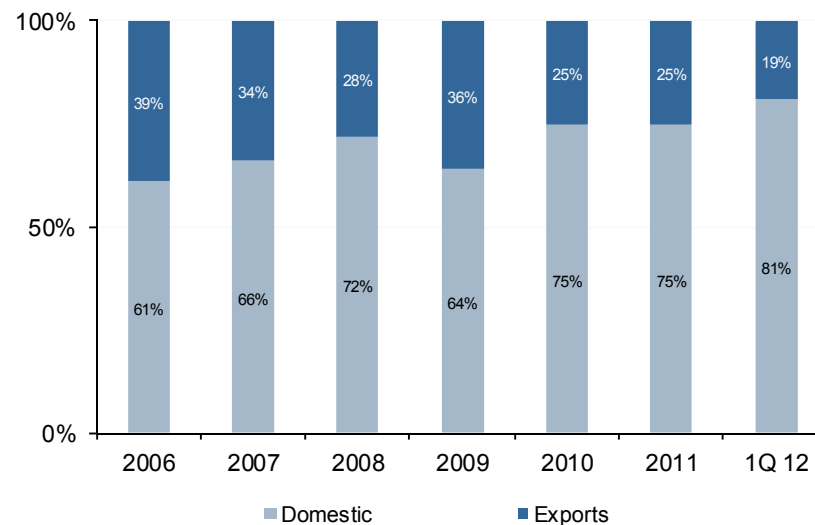


**Export shipments by region**

Q1 2012



**Share of export shipments in revenue**

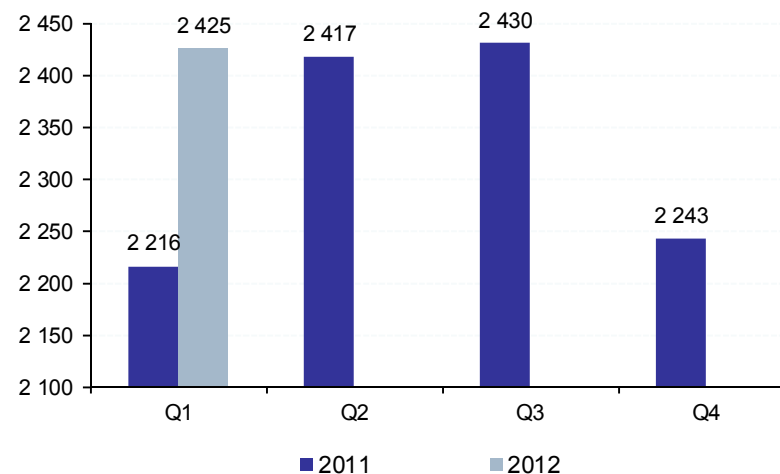




# MMK Group Q1 2012 Financial Highlights

- Sales growth in Q1 2012 increased 8% and totaled USD 2,425 mln
- While cost of sales in Q1 2012 grew only 6% q-o-q and equaled USD 2,099 mln
- MMK Group Q1 2012 EBITDA increased 44% and equaled USD 293 mln

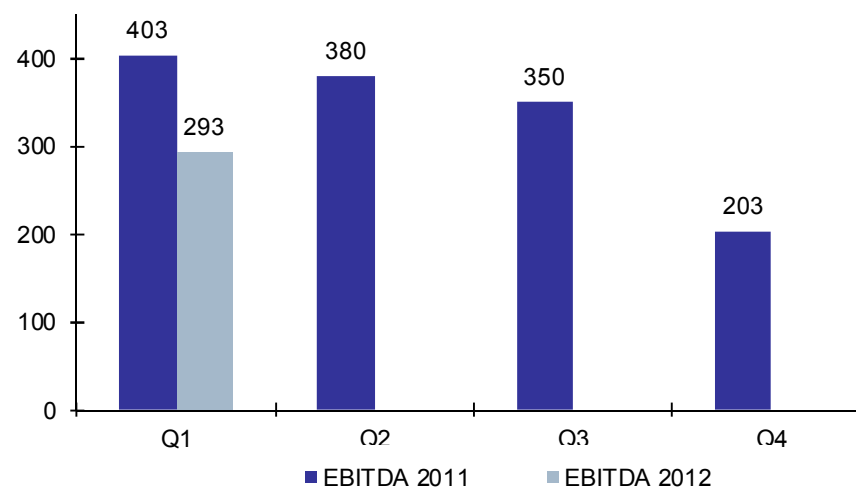
MMK Group revenue, USD mln



MMK Group financial highlights, USD mln

	Q1 12	Q4 11	+/-	%
Revenue	2 425	2 243	182	8%
Cost of sales	-2 099	-1 987	-112	6%
Operating profit	33	-47	80	-
EBITDA	293	203	90	44%
<i>EBITDA margin</i>	12,1%	9,1%		

MMK Group EBITDA, USD mln

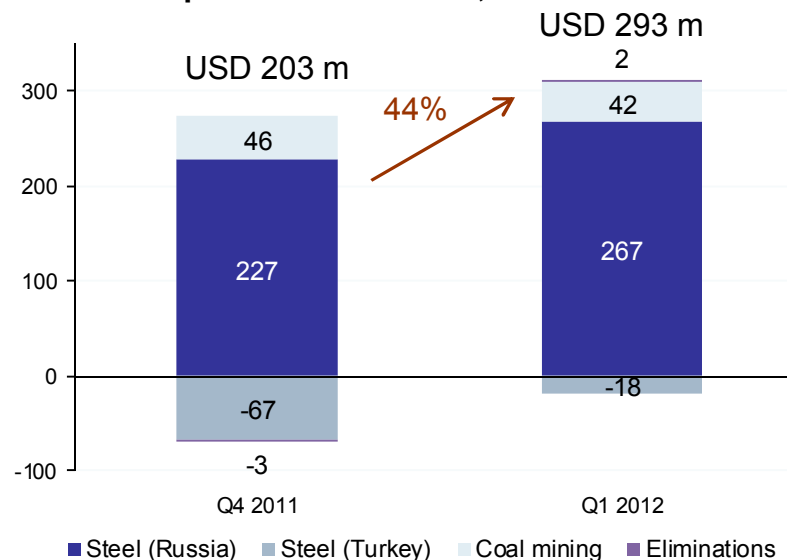




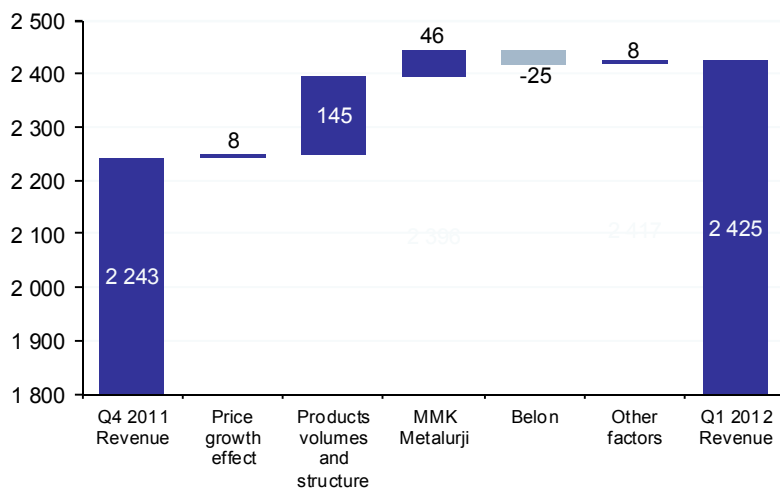
# MMK Key Performance Indicators Analysis

- Q1 2012 revenue increased q-o-q mainly due to MMK sales volumes growth at the Magnitogorsk site and MMK Metalurji against the background of almost stable steel prices
- MMK Group EBITDA increase in Q1 2012 is due to growth of Russian steel segment (18%) and decrease in loss at the EBITDA of Turkish segment
- Q1 2012 cash-cost of slab declined mainly due to decreasing raw materials prices in Q4 2011 and Q1 2012

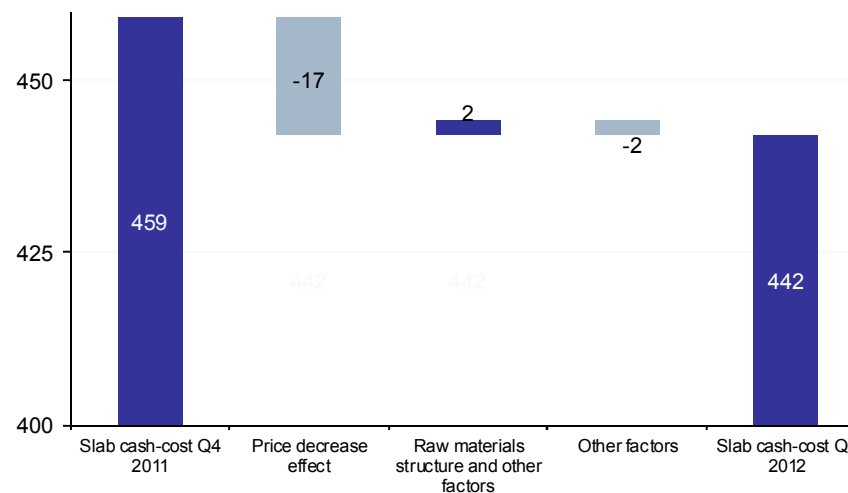
MMK Group EBITDA structure, USD mln



Revenue analysis, USD mln



Cash-cost of slab evolution, USD





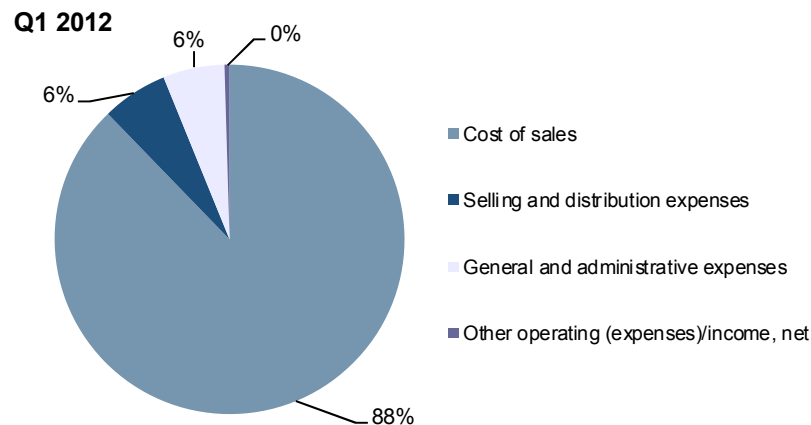
# MMK Group Operating Costs and Cost of Sales Structure



## MMK Group operational costs, USD mln

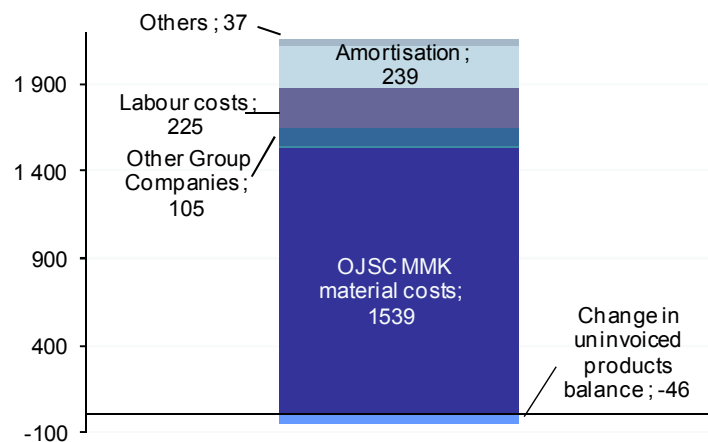
	Q1 12	Q4 11	+/-	%
Cost of sales	2 099	1 987	112	6%
Selling and distribution expenses	146	127	19	15%
General and administrative expenses	136	127	9	7%
Other operating (expenses)/income, net	11	49	-38	-78%
<b>Total operating costs</b>	<b>2 392</b>	<b>2 290</b>	<b>102</b>	<b>4%</b>

## MMK Group operational costs



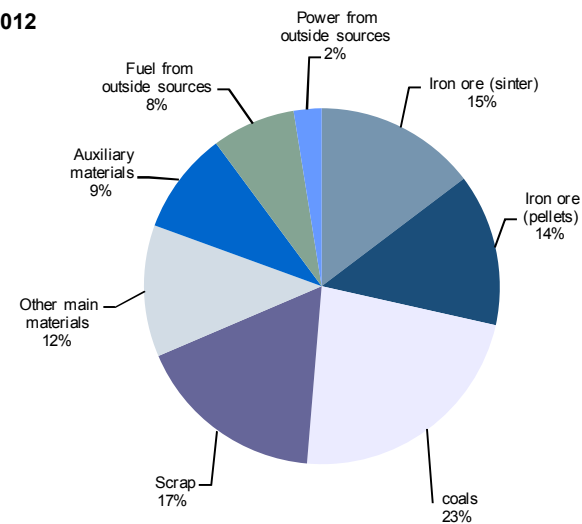
## Cost of sales structure

Q1 2012



## OJSC MMK material costs structure

Q1 2012

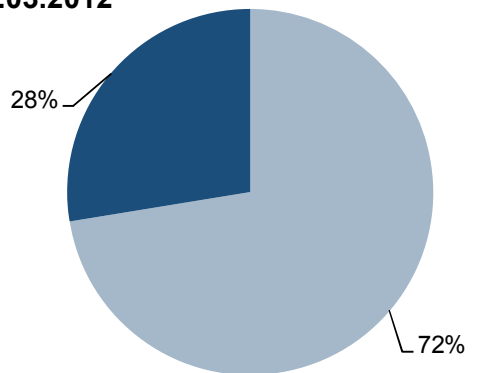




# MMK Debt Profile

## Debt structure breakdown by maturity profile

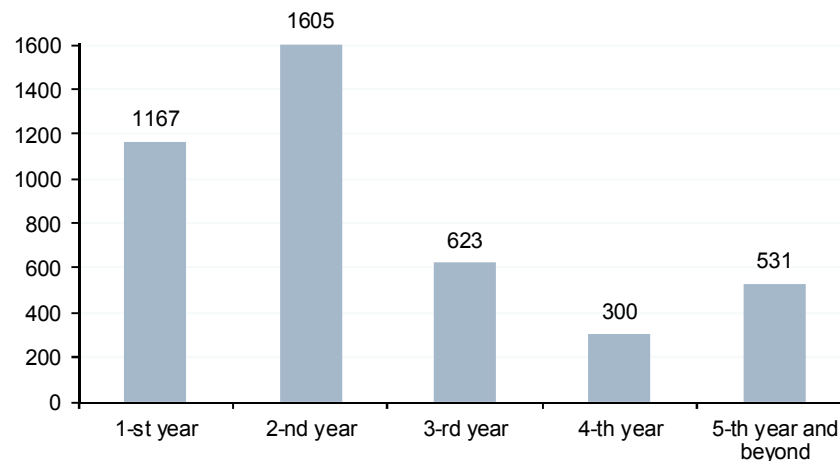
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**4,246 USD mln\***

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

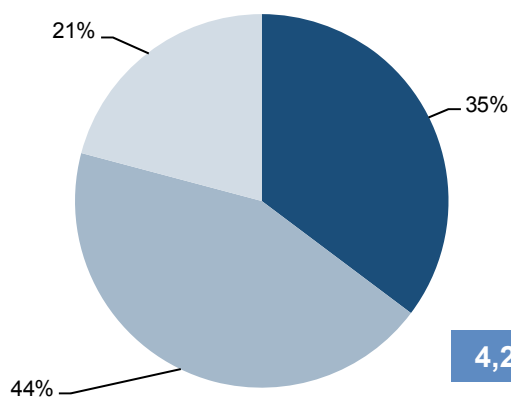
## Debt maturity profile, USD mln



\* Lease not incl.

## Debt structure by currency

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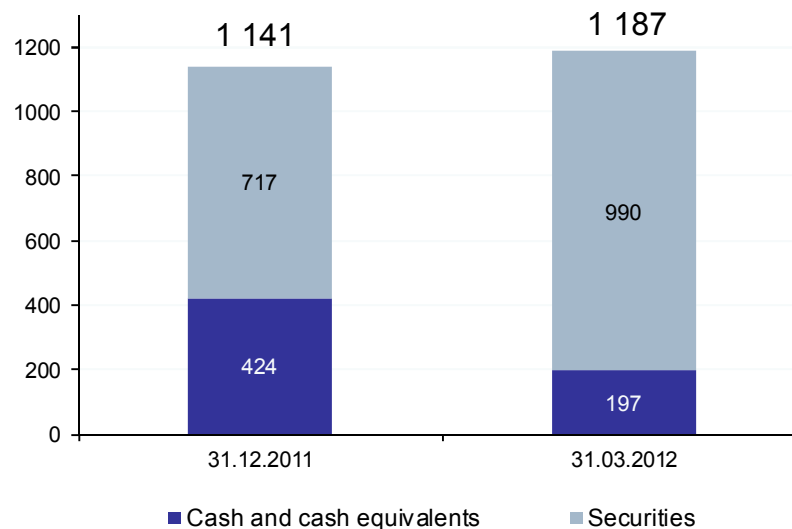


**4,246 USD mln\***

- RUR
- USD
- Euro

\* Lease incl.

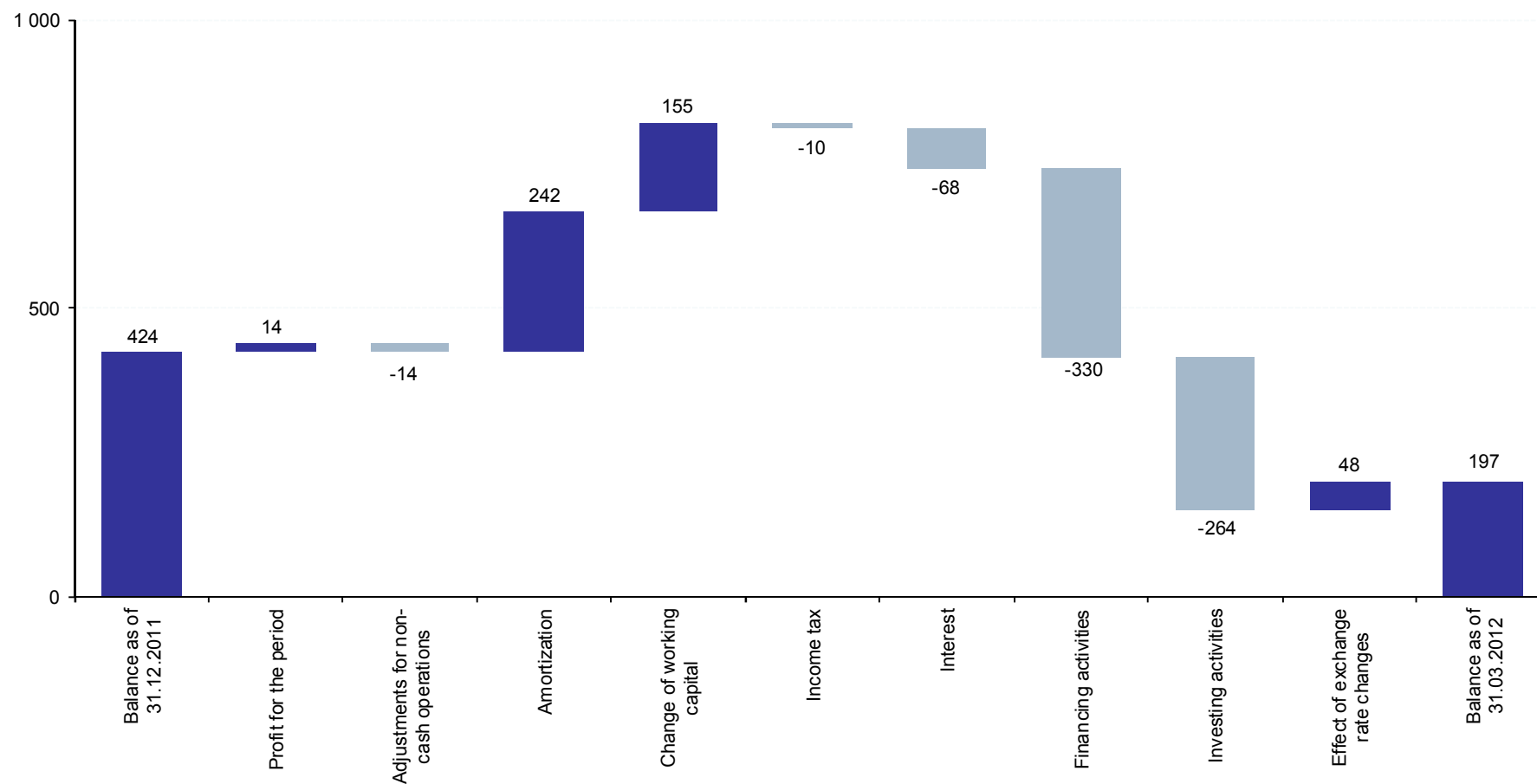
## MMK Group liquid assets, USD mln





## MMK Cash Flow, USD mln

- Capex in Q1 2012 amounted to USD 230 mln
- Main investment projects for 2012 are c/r mill 2000 and modernization of h/r mill 2500



## Future Growth Factors

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- 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

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