

29 November 2013, Magnitogorsk

**Magnitogorsk Iron and Steel Works**  
announces its consolidated IFRS financial statements for Q3 and 9M 2013

**HIGHLIGHTS**

- MMK Group sales for Q3 2013 were USD 1,877 million, down 13% q-o-q.
- Cost of sales in Q3 2013 was USD 1,628 million, down 11% q-o-q.
- EBITDA for Q3 2013 was USD 233 million, down 20% q-o-q.
- Effective cost management and a favourable pricing environment on the raw materials market made it possible to reduce the cash cost of slab in Q3 2013 by more than 5.7% q-o-q to USD 363 per tonne. The cast cost of slab was 9% lower than in Q1 2013.
- MMK Group net debt in Q3 2013 decreased by USD 108 million to USD 3,071 million. The net debt decreased by 13% or USD 447 million from the start of the year.

**MMK GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS (USD MLN)**

	<b>Q3 2013</b>	<b>Q2 2013</b>	<b>%</b>	<b>9M 2013</b>	<b>9M 2012</b>	<b>%</b>
Sales	1,877	2,161	-13%	6,321	7,260	-13%
Cost of sales	-1,628	-1,834	-11%	5,430	6,130	-11%
EBITDA*, of which	233	291	-20%	780	1,060	-26%
<i>Steel segment (Russia)</i>	218	261	-16%	726	1,040	-30%
<i>Steel segment (Turkey)</i>	5	4	25%	11	-57	-
<i>Coal segment</i>	11	27	-59%	44	74	-41%
<i>Consolidation effect</i>	-1	-1	-	-1	3	-
EBITDA margin	12.4%	13.5%		12.3%	14.6%	
Net profit	-138	-155	-	-274	47	-

\* EBITDA calculation is presented in the Notes to MMK Group Consolidated Financial Statements

- Sales declined by 13% in Q3 2013 q-o-q, primarily due to the decrease of sales volumes for finished products from Magnitogorsk (-7% q-o-q) amid the decline in the average sales price (-5% q-o-q). The drop in sales was also due to a reduction in sales volumes at MMK Metalurji.
- Cost of sales in Q3 2013 decreased by 11% q-o-q to USD 1,628 million. This was due to lower prices for key raw material inputs during Q3 2013 and further optimisation of costs.
- MMK Group EBITDA for Q3 2013 was USD 233 million. The EBITDA margin was 12.4%.
- Despite the decrease in sales for finished products from the Group's Turkish facilities in Q3 2013, MMK Metalurji EBITDA increased for the same period by 25% q-o-q to USD 5 million.
- EBITDA of the Turkish steel segment for 9M 2013 was USD 11 million, compared to USD 57 million in EBITDA loss for 9M 2012.
- The net loss in Q3 2013 stood at USD 138 million, USD 17 million lower q-o-q. One-off factors that affected Group profit in Q3 2013 include a USD 30 million loss on currency exchange and an impairment loss of USD 47 million.

## BALANCE SHEET AND CASH-FLOW HIGHLIGHTS

- MMK Group's net debt stood at USD 3,071 million at the end of Q3 2013, down USD 108 million from the end of Q2 2013 and USD 447 million from the end of 2012.
- Thanks to the reduced debt burden, interest costs for 9M 2013 fell by 21% y-o-y to USD 135 million.
- As of 30 September 2013 MMK had cash and cash equivalents on its balance sheet of USD 212 million and liquid assets (stake in FMG) of about USD 690 million. After the end of the reporting period, the stake value continued to grow to the current amount of more than USD 800 million.
- The large volume of liquid assets on the balance sheet, together with USD 1.8 billion in bank loans that were unused as of 30 September 2013, mean that the company has sufficient liquidity to service the MMK Group's current debts.
- Total capital expenditure (capex) in Q3 2013 was USD 130 million compared to USD 91 million in Q2 2013. The 43% increase q-o-q is due to the planned maintenance work of blast furnace No. 6.
- Total capital expenditure (capex) in 9M 2013 was USD 352 million, down 32% y-o-y.
- Low capital investment and effective management of working capital (for 9M 2013 the inflow from working capital amounted to USD 66 million) allowed the MMK Group to enjoy a positive free cash flow which in Q3 2013 reached USD 81 million, 33% above that seen in Q2 2013. For 9M 2013, MMK Group's free cash flow amounted to USD 282 million.
- The free cash flow generated is primarily used to further decrease its debt burden.

## MMK GROUP OPERATIONAL HIGHLIGHTS (THOUSAND TONNES)

- Crude steel output in Q3 2013 was 2.9 million tonnes, down 7% q-o-q.
- Finished steel product output in Q3 2013 totalled 2.6 million tonnes, down 7% q-o-q.
- MMK Group's total output of high value added (HVA) products in Q3 2013 was 1,280 thousand tonnes, accounting for more than 48% of total shipments.

	Q3 2013	Q2 2013	%	9M 2013	9M 2012	%
<b>MMK Group crude steel</b>	2,874	3,079	-7%	9,027	10,068	-10%
MMK crude steel	2,874	3,079	-7%	9,027	9,316	-3%
MMK Metalurji crude steel	0	0	-	0	752	-
<b>MMK Group finished products</b>	2,640	2,843	-7%	8,309	9,153	-9%
MMK finished products	2,567	2,757	-7%	8,069	8,400	-4%
MMK-Metiz steel products*	138	146	-6%	419	380	10%
MMK Metalurji steel products	144	168	-14%	490	748	-34%
<i>MMK Group HVA products</i>	<i>1,280</i>	<i>1,382</i>	<i>-7%</i>	<i>4,016</i>	<i>3,667</i>	<i>10%</i>
<i>MMK Group HVA products share</i>	<i>48.5%</i>	<i>48.6%</i>		<i>48.3%</i>	<i>40%</i>	
<b>Belon coal concentrate</b>	683	829	-18%	2,181	2,522	-14%
<b>Iron ore</b>	998	888	12%	2,757	3,176	-13%

\* includes processing of MMK products

### MMK steel operations in Russia

- Finished steel products output in Q3 2013 was 2,567 thousand tonnes, down 7% q-o-q, primarily due to the routine maintenance of No.6 blast furnace.
- Sales to the Russian and CIS market accounted for almost 88% of the total shipments in Q3 2013.
- In 9M 2013 shipments to the Russian and CIS markets grew 7% y-o-y.

- Production volumes of HVA products in 9M 2013 increased by 11% y-o-y.
- Shipments of long products in Q3 2013 amounted to 471 thousand tonnes, an increase of 2% on q-o-q. In 9M 2013 sales of long products increased 4% on 9M 2012. This increase is related to solid demand in the construction sector for long products.
- Shipments of finished products from Mill 5000 decreased by 74 thousand tonnes compared to Q2 2013, standing at 170 thousand tonnes. This decrease is related to the completion of supplies of thick plate to pipe-making plants working on the SAK-3 project (a pipeline construction project linking Central Asia and China), and delays in the implementation of a number of pipeline projects.
- In 9M 2013, the volume of thick plate production at Mill 5000 was 6% higher than for the same period the previous year. This is due to orders placed by pipe companies for a number of major pipe projects.
- The growth in production of galvanized rolled products in Q3 2013 by 5% on Q2 2013 is due to the favourable mood in the construction sector that developed throughout 2013.
- 9M 2013 saw a 51% increase y-o-y in the production of galvanized steel products, and a 17% increase in the production of colour-coated steel products.
- Total sales for MMK Russian steel segment in Q3 2013 were USD 1,797 million, down 12.6% q-o-q, driven by a decline in sales volume and the average sales price of finished products.
- EBITDA of MMK Russian steel segment for Q3 2013 was USD 218 million, down 16% q-o-q.

#### **MMK steel operations in Turkey**

- MMK Metalurji output of finished products in Q3 2013 was 144 thousand tonnes.
- MMK Metalurji sales in Q3 2013 were USD 133 million, USD 27 million down q-o-q.
- MMK Metalurji's EBITDA for Q3 2013 increased by 25% q-o-q to USD 5 million.
- MMK Metalurji's EBITDA for 9M 2013 was USD 11 million as compared to a USD 57 million loss for 9M 2012.
- In Q4 2013 production is maintained at levels approaching maximum capacity.

---

#### **BELON OPERATIONAL HIGHLIGHTS – MMK GROUP COAL SEGMENT**

- Production of coking coal concentrate in Q3 2013 was 683 thousand tonnes, down 18% q-o-q.
- Production q-o-q decrease was due to scheduled maintenance of the coal faces.
- Coal segment total sales for Q3 2013 amounted to USD 74 million. The q-o-q decrease in sales is due to the decline in coal production and sales volume amid declining prices.
- EBITDA for Q3 2013 was USD 11 million.

---

#### **MARKET OUTLOOK**

In Q4 2013 the output of finished products at Magnitogorsk should remain at the same level as seen in the previous quarter, due to the continued routine maintenance of No.6 blast furnace and expected seasonal decline in demand.

\* \* \*

MMK's management will hold a conference call to discuss the financial results on 29 November 2013 at 4.00 pm Moscow time (12.00 noon London time, 7.00 am New York time).

The conference call dial-in number is: +7 3519 24 93 05. Password: 1234

A presentation of the financial results and the IFRS financial statements can be found here: [http://eng.mmk.ru/for\\_investor/financial\\_statements/](http://eng.mmk.ru/for_investor/financial_statements/)

\* \* \*

*MMK is one of the world's largest steel producers and a leading Russian metals company. The company's operations in Russia include a large steel producing complex encompassing the entire production chain, from preparation of iron ore to downstream processing of rolled steel. MMK turns out a broad range of steel products with a predominant share of high-value-added products. In 2012 the company produced 13 million tonnes of crude steel and 11.9 million tonnes of commercial steel products. MMK Group had sales in 2012 of USD 9,328 million and EBITDA of USD 1,356 million.*

**Contacts:**

**Investor relations department:**

*Andrey Serov, Head of IR  
Tel.: +7 (3519) 24-52-97  
E-mail: serov.ae@mmk.ru*

**Communications department:**

*Polina Rudyaeva  
Tel.: +7 (499) 238-26-13  
E-mail: rudyaeva.pi@mmk.ru*

*Sergei Vykhukholev  
Tel.: +7 (926) 776-18-88  
E-mail: vykhukholev.sv@mmk.ru*

*Alexander Proskurov  
Tel.: +7 (3519) 24-63-03  
E-mail: proskurov@mmk.ru*