



## Magnitogorsk Iron & Steel Works

19 October 2012

### MMK Group<sup>1</sup> Trading Update for Q3 and First 9 Months of 2012

#### MMK Group operational highlights

Production, thousand tonnes						
Products	Q3 '12	Q2 '12	%	9M '12	9M '11	%
<b>MMK Group crude steel</b>	3,357	3,294	2%	10,068	9,087	11%
MMK crude steel	3,187	3,012	6%	9,316	8,899	5%
MMK Metalurji crude steel	170	282	-40%	752	188	4x
<b>MMK Group steel products</b>	3,072	3,062	0.3%	9,154	8,299	10%
MMK steel products	2,858	2,776	3%	8,400	8,023	5%
MMK-Metiz steel products <sup>2</sup>	129	142	-9%	380	362	5%
MMK Metalurji steel products	211	284	-26%	748	272	2.7x
<i>MMK Group HVA products</i>	1,276	1,209	6%	3,668	3,035	21%
<i>MMK Group HVA products share</i>	40%	39%		39%	37%	
<b>Belon coal concentrate</b>	985	761	29%	2,521	2,334	8%
<b>Iron ore</b>	1,021	1,107	-8%	3,176	3,680	-14%

- MMK Group crude steel output in 9M 2012 amounted to 10,068 thousand tonnes (11% higher y-o-y).
- MMK Group finished steel products output in 9M 2012 amounted to 9,154 thousand tonnes (10% higher y-o-y).
- MMK Group finished steel products output in Q3 2012 totalled 3,072 thousand tonnes (0.3% higher q-on-q).
- MMK finished steel products output in Q3 2012 totalled 2,858 thousand tonnes (3% higher q-on-q).
- MMK-Metiz finished steel products output in Q3 2012 totalled 129 thousand tonnes.
- MMK-Metalurji finished steel products output in Q3 2012 totalled 211 thousand tonnes.
- MMK Group High-Value-Added (HVA) steel products in 9M 2012 increased 21% y-o-y and reached 3,668 thousand tonnes. HVA production in Q3 2012 amounted to 1,276 thousand tonnes, up 6% q-o-q.
- Coking coal concentrate output in 9M 2012 amounted to 2,521 thousand tonnes (8% higher y-o-y). In Q3 2012 coking coal concentrate output totalled 985 thousand tonnes, up 29% q-o-q.
- In-house consumption of iron ore in 9M 2012 amounted to 3,176 thousand tonnes (down 14% y-o-y).

<sup>1</sup> MMK Group is understood as OJSC MMK together with subsidiaries; OJSC MMK is referred to as MMK

<sup>2</sup> MMK-Metiz products manufactured from products supplied by MMK are not included in the finished products of MMK Group

## Steel segment

### MMK

Production, thousand tonnes						
Products	Q3 '12	Q2 '12	%	9M '12	9M '11	%
<b>Cast iron</b>	2,571	2,557	1%	7,607	7,219	5%
<b>Crude steel</b>	3,187	3,012	6%	9,316	8,899	5%
<b>Finished products output, incl.:</b>	2,858	2,776	3%	8,400	8,023	5%
Slabs and billets	1	1	-	47	56	-15%
Long products	484	451	7%	1,336	1,127	19%
Flat hot-rolled products	1,388	1,416	-2%	4,185	4,364	-4%
High value-added (HVA) products, incl.:	985	908	8%	2,832	2,476	14%
Thick plate (mill 5000)	179	195	-8%	623	728	-14%
Flat cold-rolled products	379	304	25%	1,000	725	38%
Downstream products, incl.:	426	409	4%	1,209	1,022	18%
<i>Tin plate</i>	40	33	21%	110	105	5%
<i>Galvanized steel</i>	177	144	23%	480	364	32%
<i>Colour-coated steel</i>	94	94	0%	253	196	29%
<i>Band</i>	37	37	-1%	104	70	48%
<i>Formed section</i>	53	77	-31%	191	203	-6%
<i>Pipes</i>	25	24	4%	72	39	83%
<b>Shipments by market:</b>						
<i>Domestic market*</i>	2,237	2,162	3%	6,433	5,507	17%
<i>Export</i>	621	614	1%	1,967	2,515	-22%
Average prices, USD						
	Q3 '12	Q2 '12	%	9M '12	9M '11	%
<b>Average price per tonne:</b>						
Slabs and billets	-	-	-	505	555	-9%
Long products	626	626	0%	633	699	-9%
Flat hot-rolled products	545	590	-8%	578	668	-14%
High value-added (HVA) products, incl.:	848	896	-5%	879	1 008	-13%
Thick plate (mill 5000)	900	916	-2%	917	1 112	-17%
Flat cold-rolled products	650	712	-9%	694	795	-13%
Downstream products, incl.:	1,003	1,023	-2%	1,012	1,086	-7%
<i>Tin plate</i>	1,120	1,120	0%	1,112	1,154	-4%
<i>Galvanized steel</i>	972	1,018	-4%	991	1,026	-3%
<i>Colour-coated steel</i>	1,224	1,253	-2%	1,239	1,287	-4%
<i>Band</i>	747	790	-6%	797	1 038	-23%
<i>Formed section</i>	922	905	2%	922	984	-6%
<i>Pipes</i>	742	764	-3%	753	865	-13%
<b>Average price per tonne, incl.:</b>	663	696	-5%	688	777	-11%
<i>Domestic sales*</i>	712	744	-4%	742	855	-13%
<i>Export sales</i>	486	528	-8%	510	605	-16%

\* includes CIS sales

- Finished steel products output in Q3 2012 amounted to 2,858 thousand tonnes, which is 3% more than in Q2 2012. Sales to the high-priority domestic market increased by 3% in volume, accounting for more than 78% of all shipments in Q3.
- In 9M 2012 production of high-value-added (HVA) products increased by 14% from 9M 2011. This growth was largely driven by an increase in output of cold-rolled, galvanized and colour-coated steel products.
- The volume of HVA sales in Q3 2012 amounted to 985 thousand tonnes, up 8% from Q2.
- In Q3 2012 there were no sales of slabs to third parties.
- Shipments of long steel products in 9M 2012 amounted to 1,336 thousand tonnes, which represents a 19% increase y-o-y. This growth was driven by the recovery in demand for steel from the construction industry. Furthermore, in 9M 2012 growth in long product sales was also generated by a 5% increase in sales at the Metiz division of MMK Group – MMK-Metiz, which processes long steel products produced by MMK.

- In Q3 2012 shipments of long steel products were up 7% q-o-q.
- The volume of finished products from Mill 5000 in Q3 2012 decreased by 8% compared to Q2 2012 and amounted to 179 thousand tonnes. The lower volume of shipments of flat hot-rolled products was a result of lower volumes of orders from pipe makers due to the postponement of oil and gas projects.
- The production and shipment volume of cold-rolled products in Q3 2012 increased by 25% compared to Q2 2012 due to the launch of the Mill 2000 and also thanks to growth (more than 30%) of shipments of metal products to customers in the automotive sector.
- The increase in shipments of galvanized steel and colour-coated products in 9M 2012 by 32% and 29% y-o-y, respectively, is related to the recovery of the construction industry in Russia.
- Thanks to the improvement in product mix in Q3 2012 and the growth in shipment volumes and share of sales to the domestic market, the company succeeded in minimizing the effect of price deflation in export markets.

### MMK-Metiz

Production, thousand tonnes						
Products	Q3 '12	Q2 '12	%	9M '12	9M '11	%
<b>Finished steel products, incl.:</b>	129	142	-9%	380	362	5%
<i>Products from MMK steel</i>	126	140	-10%	374	358	4%

- Production of finished steel products at MMK-Metiz in 9M 2012 grew by 5% y-o-y to reach 380 thousand tonnes. This growth is attributable to the general recovery in sectors of the economy like construction and metallurgy, which contain main consumers of MMK-Metiz's.
- Production of finished steel products at MMK-Metiz in Q3 2012 amounted to 129 thousand tonnes.

### MMK Metalurji

Production, thousand tonnes						
Products	Q3 '12	Q2 '12	%	9M '12	9M '11	%
<b>Crude steel</b>	170	282	-40%	752	188	4x
<b>Finished products of MMK Metalurji, incl.:</b>	211	284	-26%	748	272	2.7x
Flat cold-roll products	49	125	-61%	293	72	4x
HVA products, incl.:	161	159	1%	456	197	2.3x
<i>Galvanized steel</i>	60	81	-26%	217	115	89%
<i>Colour-coated steel</i>	101	79	28%	238	82	2.9x

- Steel smelting in Q3 2012 totalled 170 thousand tonnes, which is 40% less than in Q2 2012.
- The sale of finished products from MMK's operations in Turkey in Q3 2012 amounted to 211 thousand tonnes, which is 26% lower than in Q2 2012.
- This decrease largely stemmed from the lower output of commercial hot-rolled products, the production of which is not economically sustainable in current market conditions.
- The 26% q-o-q decrease in galvanized steel production in Q3 2012 was a result of an increase in the production of higher margin colour-coated steel.
- Colour-coated steel production increased by 28% from Q2 2012 to Q3 2012 as a result of the seasonal resurgence of the construction sector as well as the implementation of a program to bring the Turkish asset to a profitable level through the production of HVA products.

## Mining segment

### COAL

#### Belon

Production, thousand tonnes						
Products	Q3 '12	Q2 '12	%	9M '12	9M '11	%
Coking coal	1,610	1,226	31%	4,128	3,656	13%
<i>Mined</i>	1,258	753	67%	3,011	2,897	4%
<i>Purchased</i>	352	473	-26%	1,117	759	47%
<b>Coking coal concentrate</b>	985	761	29%	2,521	2,334	8%

- The higher volume of coking coal mined by MMK (up 67%) in Q3 2012 in comparison to Q2 2012 was related to the conclusion of scheduled mine maintenance at the end of Q2 2012.
- Production of coking coal concentrate in Q3 2012 amounted to 985 thousand tonnes. This increase in production by 29% in comparison to Q2 2012 was a result of the higher volume of MMK-mined coal in Q3 2012.
- On the whole in 2012, despite the maintenance work, production of coking coal concentrate should remain at the same level seen in 2011.

#### Iron Ore

Production, thousand tonnes						
Products	Q3 '12	Q2 '12	%	9M '12	9M '11	%
<b>Iron ore (consumed at MMK), incl.:</b>	1,021	1,107	-8%	3,176	3,680	-14%
MMK iron ore base at Bakal*	91	139	-35%	335	369	-9%
MMK iron ore base in Magnitogorsk	378	458	-17%	1,303	1,589	-18%
Slag processing	553	511	8%	1,519	1,722	-12%

\* since the end of Q2 2011 shipments from Sosnovsky iron ore field are included in shipments from MMK iron ore base in Magnitogorsk

- Captive iron ore consumption in Q3 2012 decreased 8% q-o-q and amounted to 1,021 thousand tonnes
- Consumption of iron ore coming from Bakal in Q3 2012 amounted to 91 thousand tonnes, which is a 35% decrease from Q2 2012. This was a result of the sale of the Bakal mine in August 2012, and the subsequent exclusion of this supplier from the tally of captive iron ore consumption.
- Output from slag processing rose 8% q-o-q in Q3 2012 and amounted to 553 thousand tonnes. The 12% y-o-y decrease in the use of iron from slag processing in 9M 2012 largely stemmed from a number of improvements made to reduce waste of primary resources and improve the quality of the agglomerate.

### Key investment projects of MMK Group

#### Mill 2000

The launch of the second stage of MMK's new cold rolling complex, which includes a continuous hot-galvanizing unit, a combined annealing/hot-galvanizing unit, and a coil inspection and slitting line, in July 2012 marked the conclusion of construction of the Mill 2000 complex.

At present the mill is beginning to produce new types of products (cold-roll and galvanized), which is already having an impact in terms of larger production volume and higher share of HVA products in MMK's portfolio.

At the same time, negotiations are underway on product certification and contract terms with enterprises from automotive industry.

## **Outlook**

In Q4 2012 sales volumes for finished products can be influenced by a seasonal decline in business activity on the domestic market.

The growth in demand for steel in Russia and the world in general along with the increasing production capacity of MMK Group in Turkey make it reasonable to expect higher sales volumes for MMK Group in 2012 in comparison to 2011.

The publication of consolidated results under IFRS for MMK Group for Q3 and 9M 2012 is scheduled for late November 2012.

\* \* \*

## **About MMK**

*Open Joint Stock Company MMK is among the world's largest steel producers and is one of the leaders of Russia's steel industry. 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 higher value added products. In 2011 the MMK Group produced 12.2 mln tonnes of crude steel and 11.2 mln tons of commercial steel products. MMK Group revenue in 2011 stood at USD 9.306 bn and EBITDA at USD 1.336 bn.*

## **Contacts:**

### **Investor Relations Department:**

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

### **Communications Department:**

*Kirill Golubkov  
tel.: +7 (916) 675 3081  
E-mail: golubkov.kv@mmk.ru*

*Polina Rudyayeva  
tel.: +7 (916) 675 3081  
E-mail: rudyayeva.pi@mmk.ru*

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