



Magnitogorsk Iron and Steel Works

October 25, 2011

MMK Group* Operational Results for Q3 and the First 9 Months of 2011

MMK Group operational highlights

Production, thousand tonnes						
Production	Q3`11	Q2`11	%	9M`11	9M`10	%
MMK Group crude steel	3,182	2,813	13%	9,087	8,654	5%
MMK crude steel	3,015	2,792	8%	8,899	8,654	3%
MMK Metalurji crude steel***	167	21	x8	188	0	-
MMK Group steel products	2,953	2,612	13%	8,301	7,853	6%
MMK steel products	2,789	2,527	10%	8,023	7,737	4%
MMK-Metiz steel products **	126	114	10%	362	330	10%
MMK Metalurji steel products	162	84	93%	274	111	147%
<i>MMK Group HVA products</i>	991	970	2%	3,038	2,930	4%
<i>Share of HVA products in MMK Group total</i>	34%	37%		37%	37%	
Coal concentrate (Belon)	849	720	18%	2,334	2,118	10%
Iron ore	1,224	1,133	8%	3,633	3,368	8%

- Total MMK Group crude steel output in Q3 2011 amounted to 3,182 thousand tonnes, 13% higher q-o-q.
- Total MMK Group finished steel products output in Q3 2011 amounted to 2,953 thousand tonnes, 13% higher q-o-q.
- MMK crude steel output in Q3 2011 amounted to 3,015 thousand tonnes (8% higher q-o-q), crude steel output in 9M 2011 amounted to 8,899 thousand tonnes (3% higher y-o-y).
- MMK finished steel products output in Q3 2011 amounted to 2,789 thousand tonnes (10% higher q-o-q). MMK finished steel products output in 9M 2011 totalled 8,023 thousand tonnes (4% higher y-o-y).
- Output of finished steel products at MMK-Metiz in Q3 2011 rose 10% q-o-q, reaching 126 thousand tonnes. MMK-Metiz finished steel products output in 9M 2011 totalled 362 thousand tonnes (10% higher y-o-y).
- MMK-Metalurji finished steel products output in Q3 2011 totalled 162 thousand tonnes (93% higher q-o-q). In 9M 2011 MMK-Metalurji produced 274 thousand tonnes of steel products, representing a 2.5-fold y-o-y increase.
- MMK Group higher value added products (HVA) output in 9M 2011 was 4% higher y-o-y, amounting to 3,038 thousand tonnes.
- Coking coal concentrate output in Q3 2011 amounted to 849 thousand tonnes (18% higher q-o-q). In 9M 2011 coking coal concentrate output totalled 2,334 thousand tonnes (10% higher y-o-y).
- In-house production of iron ore in 9M 2011 amounted to 3,633 thousand tonnes (8% higher y-o-y).

* - OJSC MMK - hereafter MMK; with subsidiaries – MMK Group

** - incl. products made from MMK steel

*** - renamed from MMK-Atakas after acquisition of 50% minus one share from Atakas family

Steel segment

MMK

Production, thousand tonnes						
Production	Q3'11	Q2'11	%	9M'11	9M'10	%
Cast iron	2,440	2,309	6%	7,219	6,871	5%
Crude steel	3,015	2,792	8%	8,899	8,654	3%
Finished products output, incl.:	2,789	2,527	10%	8,023	7,737	4%
Slabs and billets	0	10	-	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, incl.:	764	782	-2%	2,475	2,510	-1%
Thick plate (mill 5000)	178	243	-27%	728	649	12%
Flat cold-rolled products	245	209	17%	725	831	-13%
Downstream products, incl.:	341	330	3%	1,022	1,030	-1%
<i>Tin plate</i>	28	37	-24%	105	166	-37%
<i>Galvanized steel</i>	113	111	2%	364	430	-15%
<i>Colour-coated steel</i>	80	61	31%	196	158	24%
<i>Band</i>	21	25	-16%	70	90	-22%
<i>Formed section</i>	61	73	-16%	203	136	49%
<i>Pipes</i>	13	8	63%	39	51	-24%
Steel products for construction sector from MMK-Profile-Moscow	24	15	60%	44	0	-
Shipments by market:						
Domestic shipments*	1,943	1,660	17%	5,507	5,112	8%
Export shipments	846	867	-2%	2,515	2,625	-4%
Average prices, USD						
	Q3'11	Q2'11	%	9M'11	9M'10	%
Average price per tonne:						
Slabs and billets	-	601	-	555	455	22%
Long products	699	706	-1%	699	595	18%
Flat hot-rolled products	655	689	-5%	668	524	27%
High value-added (HVA) products, incl.:	1,011	1,080	-6%	1,008	789	28%
Thick plate (mill 5000)	1,021	1,219	-16%	1,112	850	31%
Flat cold-rolled products	805	846	-5%	795	618	29%
Downstream products, incl.:	1,155	1,127	3%	1,086	888	22%
<i>Tin plate</i>	1,197	1,200	0%	1,154	955	21%
<i>Galvanized steel</i>	1,099	1,058	4%	1,026	847	21%
<i>Colour-coated steel</i>	1,357	1,301	4%	1,287	1,220	6%
<i>Band</i>	1,022	1,117	-9%	1,038	770	35%
<i>Formed section</i>	1,005	1,057	-5%	984	716	38%
<i>Pipes</i>	877	907	-3%	865	655	32%
Steel products for construction sector from MMK-Profile-Moscow	1,348	1,225	10%	1,269	-	-
Average price per tonne, incl.:	760	812	-6%	776	615	26%
Domestic sales*	829	914	-9%	855	680	26%
Export sales	601	614	-2%	605	490	24%

*- including shipments to CIS

- Finished steel products output in 9M 2011 amounted to 8,023 thousand tonnes, 4% higher y-o-y. The share of domestic shipments, which are a priority for MMK, amounted to 69% in 9M 2011, representing a 3 percentage point (p.p.) y-o-y increase.
- Domestic shipments in Q3 2011 amounted to 1,943 thousand tonnes, 17% higher q-o-q, with its share totalling 70%, representing a 4 p.p. q-o-q increase.

- Flat hot-rolled products in Q3 2011 amounted to 1,546 thousand tonnes (9% higher q-o-q). This increase was driven by growth in total output of finished steel products in Q3 2011, with MMK working at about 90% of production capacity.
- Long steel shipments in 9M 2011 grew 50% y-o-y. This increase was due to higher construction sector activity levels in 2011. Long steel shipments in Q3 2011 grew 53% q-o-q thanks to the seasonal growth in construction sector activity as companies seek to complete current projects before winter.
- Output of HVA products in 9M 2011 remained at the same level as 9M 2010, amounting to 2,475 thousand tonnes.
- Commercial thick plate output at Mill 5000 was 728 thousand tonnes in 9M 2011, 12% higher y-o-y. Commercial thick plate output at Mill 5000 in Q3 2011 came to 178 thousand tonnes, 27% lower q-o-q. The decrease was due to lower thick plate orders by pipe-makers due to Gazprom and Transneft postponing the purchase of large-diameter pipes to the end of 2011 and 2012.
- The average realized price per tonne of Mill 5000 thick plate in Q3 2011 decreased 16% q-o-q due to a decrease in the share of more expensive grades of steel for pipe-makers in the product mix and weakening of the rouble against the dollar.
- The q-o-q increase in 3Q 2011 of galvanized and colour-coated steel output was attributable to the seasonal increase of demand for construction-related sorts. The 15% y-o-y decrease of galvanized steel output in 9M 2011 was due to the growth in output of more expensive colour-coated steel by 24% during the same period and the start of galvanized steel shipments by MMK subsidiary MMK-Profile-Moscow.
- Formed sections production in 9M 2011 rose 49% y-o-y and totalled 203 thousand tonnes. The increase was due to significant growth in demand from railroad carriage works, which are needed for a railroad fleet renewal program. Formed sections production in Q3 2011 amounted to 61 thousand tonnes.
- In Q3 2011 the average realized price per tonne of steel products amounted to \$760, 6% lower q-o-q. At the same time domestic average price in Q3 2011 dropped 9% q-o-q while average export price decreased only 2% q-o-q. This accelerated rate of decrease in domestic prices was due to the strengthening of the dollar against the rouble and product mix changes.

MMK-Metiz

Production, thousand tonnes						
Production	Q3`11	Q2`11	%	9M`11	9M`10	%
Finished steel products, incl.:	126	114	10%	362	330	10%
<i>Products from MMK steel</i>	124	113	10%	358	325	10%

- MMK-Metiz finished steel products output amounted to 362 thousand tonnes in 9M 2011, 10% higher y-o-y. MMK-Metiz finished steel products output in Q3 2011 totalled 126 thousand tonnes, 10% higher q-o-q. This was due to strong demand from major industries that consume MMK-Metiz products (construction, steelmaking and car-making).

MMK-Metalurji

Production, thousand tonnes						
Production	Q3`11	Q2`11	%	9M`11	9M`10	%
Finished steel products, incl.:	162	84	93%	274	111	147%

- Finished steel products output at MMK in Turkey in Q3 2011 amounted to 162 thousand tonnes, representing a nearly 2-fold q-o-q increase.
- This growth was primarily due to completion of construction of MMK-Metalurji and subsequent ramping up to full production capacity.
- MMK-Metalurji plans to produce around 700 thousand tonnes of steel products in 2011. The whole complex is expected to reach full production capacity (2.3 mtpa of finished steel products) by 2012.

Mining segment

COAL

Belon

Production, thousand tonnes						
Production	Q3`11	Q2`11	%	9M`11	9M`10	%
Coking coal	1,235	1,126	10%	3,656	3,316	10%
<i>Mined</i>	1,004	780	29%	2,897	3,021	-4%
<i>Purchased</i>	231	346	-33%	759	295	157%
Coking coal concentrate	849	720	18%	2,334	2,118	10%

- In-house production of coking coal in Q3 2011 rose 29% q-o-q and amounted to 1,004 thousand tonnes. The increase is attributable to the completion of a planned re-construction of mining walls in the beginning of Q3 2011.
- Production of coking coal concentrate amounted to 849 thousand tonnes in Q3 2011, 18% higher q-o-q.

IRON ORE

Production, thousand tonnes						
Production	Q3`11	Q2`11	%	9M`11	9M`10	%
Iron ore (consumed at MMK), incl.:	1,224	1,133	8%	3,633	3,368	8%
MMK iron ore base at Bakal*	190	248	-23%	824	1,042	-21%
MMK iron ore base in Magnitogorsk	560	346	62%	1,301	1,119	16%
Slag processing	474	539	-12%	1,508	1,207	25%

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

- Captive iron ore consumption in 9M 2011 increased 8% y-o-y and amounted to 3,633 thousand tonnes.
- Consumption of iron ore from Bakal amounted to 824 thousand tonnes in 9M 2011, 21% lower y-o-y. This decrease was due to the separation of shipments from the Sosnovsky iron ore field from shipments from Bakal; as a result, ore shipments from this deposit are reflected in shipments from the MMK iron ore base in Magnitogorsk.
- Consumption of iron ore produced at the MMK base in Magnitogorsk amounted to 1,301 thousand tonnes in 9M 2011, 16% higher y-o-y. This increase was due to higher production at processing plant #5 and the inclusion of shipments from Sosnovsky iron ore field in shipments from the MMK iron ore base in Magnitogorsk.
- Output of iron-containing charge from slag processing rose 25% in 9M 2011 y-o-y and equalled 1,508 thousand tonnes. This growth was driven by the revamping of the Amcom-1 slag processing facility and the commissioning of Amcom-2 and Amcom-3 in 2010, which made it possible to increase intake of sludge concentrate from slag dumps.
- Iron-containing charge consumption in Q3 2011 amounted to 474 thousand tonnes, 12% lower q-o-q. The decrease was due to lower consumption of mud concentrate.

Key investment project developments

Mill 2000

MMK continues construction of its new cold rolling complex (Mill 2000) in order to take advantage of the growing market for high-strength steel and to substitute imported automotive steel. The complex will use state-of-the-art technologies to produce high quality cold-rolled and galvanized steel products for inner and outer car-body parts as well as for use in production of household appliances and in the construction industry. Mill 2000 is expected to produce 2 mln tons of finished steel products per year, including 700 thousand tonnes of galvanized steel.

The first stage of Mill 2000, including a continuous pickling line coupled with a tandem mill, was commissioned on July 15, 2011.

At present Mill 2000 is ramping up to full production capacity and should produce about 300 thousand tonnes of cold-rolled steel in 2011. Automakers are in the process of accepting Mill 2000 products.

The second stage of the complex, which will include a continuous hot-dip galvanizing unit, a continuous annealing unit and a coil inspection unit, is slated to be commissioned in July 2012.

The Mill 2000 complex was supplied by the German metallurgy machinery company SMS-DEMAG under a contract between MMK and SMS-DEMAG signed in July 2007.

MMK Metalurji

In order to strengthen its footprint in the Middle East market, MMK has concluded construction of the MMK Metalurji steel production complex in Turkey.

The continuous hot-dip galvanizing unit at the MMK Metalurji Istanbul site was commissioned on July 15, 2011. This marks completion of construction of the MMK Metalurji metallurgy complex, which is located at two sites: in Iskenderun and Istanbul. Construction of the Iskenderun facility was completed in May 2011.

The annual production capacity of MMK Metalurji is 2.3 mln tonnes of finished steel products: hot-rolled coils, galvanised coils and colour-coated coils.

The advanced production technology installed at MMK Metalurji makes the plant one of the most advanced in Turkey. This new facility will meet growing Turkish demand for a range of metal products and enable MMK to export products to the Middle East, Mediterranean region and Europe.

Acquisition of 50 percent minus one share of MMK Metalurji from the Atakas Family was completed on September 15, 2011. The total price of the deal is USD 485 mln.

Outlook

MMK intends to increase finished steel output by 10-15% in 2011 compared to 2010. This growth will be driven by increased demand for MMK products from major steel-consuming sectors in Russia and by MMK Metalurji ramping up to full production capacity.

MMK Group Q3 and 9 months 2011 financial results under IFRS will be published in early December, 2011.

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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 2010 the MMK Group produced 11.4 mln tonnes of crude steel and 10.4 mln tonnes of commercial steel products. MMK Group revenue in 2010 stood at USD 7.719 bn, EBITDA at USD 1.606 bn, profit for the period – USD 232 mln.

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