

24 July 2014

MMK Group¹ Trading Update for Q2 and H1 2014

MMK Group:

Operational highlights

Output, thousand tonnes						
	Q2 2014	Q1 2014	%	H1 2014	H1 2013	%
MMK Group crude steel	3,390	3,188	6.3%	6,578	6,154	6.9%
MMK crude steel	3,390	3,188	6.3%	6,578	6,154	6.9%
MMK Metalurji crude steel	0	0	-	0	0	-
MMK Group steel products	3,227	2,919	10.6%	6,146	5,688	8.1%
MMK steel products	3,056	2,822	8.3%	5,878	5,501	6.8%
MMK-Metiz steel products ²	145	119	21.2%	264	281	-5.9%
MMK Metalurji steel products ²	185	149	23.8%	334	346	-3.5%
<i>MMK Group HVA products</i>	1,433	1,281	11.9%	2,715	2,739	-0.9%
<i>MMK Group HVA products share</i>	44.4%	43.9%		44.2%	48.2%	
Belon coal concentrate	672	712	-5.6%	1,384	1,498	-7.6%
Iron ore	848	805	5.3%	1,653	1,759	-6.0%

- MMK Group crude steel output in Q2 2014 totalled 3,390 thousand tonnes (+6.3% q-o-q).
- MMK Group finished steel products shipments in Q2 2014 (excluding intra-group sales) totalled 3,227 thousand tonnes (+10.6% q-o-q).
- MMK Group finished steel products shipments in H1 2014 increased by 8.1% y-o-y.
- MMK Group High-Value-Added (HVA) steel products output in Q2 2014 increased by 11.9% q-o-q to 1,433 thousand tonnes. The share of HVA products in total output volume was 44.4%.
- Production of Belon coal concentrate in Q2 2014 decreased by 5.6% q-o-q to 672 thousand tonnes.

¹ - MMK Group is understood as OJSC MMK together with subsidiaries; OJSC MMK is referred to as MMK

² - Products manufactured from MMK steel are not included in the finished products of MMK Group

Steel segment

MMK

Output, thousand tonnes						
	Q2 2014	Q1 2014	%	H1 2014	H1 2013	%
Cast iron	2,571	2,604	-1.3%	5,175	4,892	5.8%
Crude steel	3,390	3,188	6.3%	6,578	6,154	6.9%
Finished products output, of which:	3,056	2,822	8.3%	5,878	5,501	6.8%
Slabs and billets	59	7	x8.4	66	9	x7.3
Long products	465	449	3.5%	914	915	-0.1%
Flat hot-rolled products	1,413	1,340	5.4%	2,753	2,435	13.1%
High-Value-Added (HVA) products, of which:	1,120	1,025	9.2%	2,145	2,143	0.1%
Thick plate (mill 5000)	217	197	9.9%	414	490	-15.5%
Flat cold-rolled products	383	366	4.8%	749	738	1.5%
Downstream products, of which:	520	462	12.5%	982	915	7.3%
<i>Tin plate</i>	43	37	17.1%	80	75	6.6%
<i>Galvanised steel</i>	297	239	24.4%	536	465	15.4%
<i>Colour-coated steel</i>	98	96	2.0%	193	199	-2.9%
<i>Band</i>	25	37	-33.3%	62	67	-7.5%
<i>Formed section</i>	35	38	-7.5%	74	68	9.1%
<i>Pipes</i>	22	15	42.0%	37	42	-10.5%
Shipments by market:						
<i>Russia + CIS</i>	2,512	2,228	12.7%	4,740	4,601	3.0%
<i>Export</i>	544	593	-8.3%	1,138	901	26.3%
Average prices, USD						
	Q2 2014	Q1 2014	%	H1 2014	H1 2013	%
Average price per tonne:	604	565	7.0%	585	653	-10.3%
Long products	551	508	8.4%	530	602	-12.0%
Flat hot-rolled products	528	499	5.9%	514	547	-6.0%
High-Value-Added (HVA) products, of which:	732	677	8.1%	706	794	-11.2%
Thick plate (mill 5000)	686	661	3.9%	674	864	-22.0%
Flat cold-rolled products	578	545	6.1%	562	606	-7.3%
Downstream products, of which:	864	789	9.5%	828	909	-8.9%
<i>Tin plate</i>	954	933	2.2%	945	1,053	-10.3%
<i>Galvanised steel</i>	812	741	9.7%	781	844	-7.6%
<i>Colour-coated steel</i>	1,129	979	15.4%	1,055	1,130	-6.7%
<i>Band</i>	615	589	4.3%	600	678	-11.6%
<i>Formed section</i>	758	735	3.1%	746	885	-15.7%
<i>Pipes</i>	652	620	5.2%	639	730	-12.5%
Average price per tonne, of which:	604	565	7.0%	585	653	-10.3%
<i>Russia + CIS</i>	633	589	7.4%	612	685	-10.7%
<i>Export</i>	473	474	-0.2%	474	487	-2.8%

- In Q2 2014 shipments of finished products amounted to 3,056 thousand tonnes, 8.3% higher than in Q1 2014.
- This growth was driven by seasonal recovery of demand for steel, as well as import substitution on the Russian market, was caused by ruble devaluation and a decrease in rolled steel supplies from abroad.
- In H1 2014 shipments of finished products increased by 6.8% y-o-y.
- In Q2 2014 domestic ruble prices for steel continued to grow, which along with a decline in flat product import volumes, contributed to increased finished products shipments to the Russian and CIS market by 284 thousand tonnes or 12.7%.
- Export sales of finished products in Q2 2014 amounted to 544 thousand tonnes, down 8.3% q-o-q.
- Growth in sales on the Russian and CIS market in Q2 2014 resulted in recovery of domestic market share in overall shipments volume to 82.2%.

- In Q2 2014 shipments of long products amounted to 465 thousand tonnes, 3.5% higher q-o-q, driven by the start of construction season and increased sales of MMK-Metiz products.
- Sales of flat hot-rolled products in Q2 2014 increased by 5.4% q-o-q, slower than the overall sales dynamics.
- At the same time, in Q2 2014 HVA products sales growth (+9.2% q-o-q) outpaced overall sales growth dynamics. This was primarily due to an increase in sales of thick plate and various coated rolled products.
- As a result, the share of HVA products in total shipments volume of MMK in Q2 2014 was 36.6%.
- Shipments of thick plate produced at mill 5000 in Q2 2014 increased by 20 thousand tonnes or 9.9% q-o-q to 217 thousand tonnes. The 100% capacity utilisation rate at mill 5000 was achieved primarily due to increased shipments to pipe manufacturers by nearly 40% q-o-q.
- Growth in galvanised steel sales in Q2 2014 by 558 thousand tonnes or 24.4% q-o-q was due to seasonal growth in demand from consumers in the construction sector.
- The average sales price in Q2 2014 increased by 7.0% q-o-q. Key factors included positive price dynamics on the domestic market (+7.4% q-o-q), as well as an overall improvement of sales structure.

MMK-Metiz

Output, thousand tonnes						
	Q2 2014	Q1 2014	%	H1 2014	H1 2013	%
Finished products output, of which:	145	119	21.2%	264	281	-5.9%
<i>Products from MMK steel</i>	143	117	21.8%	260	277	-6.0%

- Production of finished steel products at MMK-Metiz in Q2 2014 reached 145 thousand tonnes (+21.2% q-o-q).
- The significant growth in sales was due to the seasonal recovery in construction sector and growth in shipments of rail fastenings.

MMK Metalurji

Output, thousand tonnes						
	Q2 2014	Q1 2014	%	H1 2014	H1 2013	%
Steel	0	0	-	0	0	-
MMK Metalurji finished products, of which:	185	149	23.8%	334	346	-3.5%
Flat hot-rolled products	16	12	37.3%	28	31	-10.0%
HVA products, of which:	168	137	22.7%	306	315	-2.9%
<i>Galvanised steel</i>	103	92	12.1%	195	149	31.3%
<i>Colour-coated steel</i>	65	45	44.4%	110	166	-33.5%
MMK Metalurji finished output from MMK steel	16	54	-70.3%	70	163	-57.1%

- In Q2 2014 sales of finished products increased by 23.8% q-o-q to 185 thousand tonnes.
- This increase was primarily due to seasonal growth in demand for construction products, as well as renewal of metal purchases by traders in April 2014 as a result of political stabilisation following the Turkish elections in the end of Q1 2014.
- The significant decline in output from HRC produced by MMK in Q2 2014 (-70.3% q-o-q) was due to current market environment where purchase of hot-rolled products on the Turkish market was more cost-effective.
- Given the current level of demand on Turkish market it is expected that high capacity utilisation rates will be maintained in H2 2014.

Mining segment

Coal

Belon

Output, thousand tonnes						
	Q2 2014	Q1 2014	%	H1 2014	H1 2013	%
Coking coal mining	877	889	-1.3%	1,767	1,870	-5.5%
Coking coal processing	1,204	1,167	3.2%	2,371	2,511	-5.6%
<i>Mined</i>	840	807	4.1%	1,647	1,918	-14.1%
<i>Purchased</i>	364	360	1.1%	724	593	22.1%
Coking coal concentrate	672	712	-5.6%	1,384	1,498	-7.6%

- In Q2 2014 Belon insignificantly decreased its coal mining q-o-q.
- The increase in processing volumes of the company's own mined coal in Q2 2014 by 4.1% q-o-q was made possible by the availability of own coal stocks.
- While processing volumes of mined coal in Q2 2014 increased by 4.1% q-o-q, coking coal concentrate output decreased by 5.6% q-o-q.
- This decrease was due to planned maintenance works at Kostromovskaya mine, which resulted in an increase in high ash content coal produced from driving.

IRON ORE

Output, thousand tonnes						
	Q2 2014	Q1 2014	%	H1 2014	H1 2013	%
Iron ore (consumed at MMK), incl.:	848	805	5.3%	1,653	1,759	-6.0%
MMK iron ore base in Magnitogorsk	360	404	-10.8%	765	816	-6.3%
Slag processing	487	401	21.5%	888	943	-5.8%

- In-house consumption of iron ore produced by the Group in Q2 2014 grew by 5.3% q-o-q to 848 thousand tonnes.
- Consumption of iron ore mined at the Magnitogorsk site in Q2 2014 amounted to 360 thousand tonnes, down 10.8% q-o-q. This decrease was due to planned maintenance works at beneficiation plant №5 at the beginning of the quarter.
- Slag processing volume in Q2 2014 increased by 21.5% q-o-q to 487 thousand tonnes. Growth in consumption of slag processed in Q2 2014 q-o-q was primarily due to seasonal increase in volumes of slurry concentrate from slag heaps, as well as use of slurry of ore-dressing production in agglomerating.

Outlook

It is expected that in Q3 2014 MMK Group production and sales volumes will be slightly lower q-o-q due to seasonal slowdown in business activity on the domestic market and holidays in Middle Eastern countries.

The presentation of MMK Group's consolidated IFRS financial results for H1 2014 is scheduled for the third decade of August 2014.

* * *

About MMK

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 2013 MMK Group produced 11.9 million tonnes of crude steel and 11 million tonnes of commercial steel products. MMK Group had sales in 2013 of USD 8,190 million and EBITDA of USD 1,223 million

Investor Relations Department:

Andrey Serov

tel.: +7 (3519) 24-52-97

E-mail: serov.ae@mmk.ru

Communications Department:

Dmitry Kuchumov

tel.: +7 (499) 238-26-13

E-mail: kuchumov.do@mmk.ru

Sergey Vykhukholev

tel.: +7 (499) 238-26-13

E-mail: vykhukholev.sv@mmk.ru

Alexander Proskurov

tel.: +7 (3519) 24-63-03

E-mail: proskurov.as@mmk.ru