

06 February 2014

## MMK Group<sup>1</sup> Trading Update for Q4 and FY 2013

### MMK Group:

#### Operational highlights

Production, thousand tonnes						
Products	Q4 2013	Q3 2013	%	FY 2013	FY 2012	%
<b>MMK Group crude steel</b>	2,913	2,874	1.4%	11,941	13,037	-8.4%
MMK crude steel	2,913	2,874	1.4%	11,941	12,247	-2.5%
MMK Metalurji crude steel	0	0	-	0	790	-
<b>MMK Group steel products</b>	2,723	2,640	3.1%	11,060	11,937	-7.9%
MMK steel products	2,599	2,567	1.2%	10,667	11,029	-3.3%
MMK-Metiz steel products <sup>2</sup>	116	138	-15.9%	535	494	8.3%
MMK Metalurji steel products <sup>2</sup>	175	144	21.5%	664	901	-26.3%
<i>MMK Group HVA products</i>	1,318	1,280	3.0%	5,336	4,880	9.3%
<i>MMK Group HVA products share</i>	48%	48%		48%	41%	
<b>Belon coal concentrate</b>	677	683	-0.9%	2,858	3,325	-14.0%
<b>Iron ore</b>	966	998	-3.2%	3,723	4,153	-10.4%

- MMK Group crude steel output in Q4 2013 totalled 2,913 thousand tonnes (+1.4% q-o-q).
- MMK Group crude steel output in FY 2013 totalled 11,941 thousand tonnes (-8.4% y-o-y). This decline was primarily due to EAF idling at MMK Metalurji in late 2012.
- MMK Group finished steel products output in Q4 2013 (excluding intra-group sales) totalled 2,723 thousand tonnes (+3.1% q-o-q), while MMK Group finished steel products output in FY 2013 totalled 11,060 thousand tonnes (-7.9% y-o-y).
- MMK Group High-Value-Added (HVA) steel products output in Q4 2013 grew by 3% q-o-q to 1,318 thousand tonnes. The share of HVA products in the total output volume was 48%.
- MMK Group High-Value-Added (HVA) steel products output in 12 months 2013 increased 9.3% against 12 months 2012 to 5,336 thousand tonnes. The share of HVA steel products in the total output volume in FY 2013 was 48% as compared to 41% a year before.

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

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

## Steel segment

### MMK

Production, thousand tonnes						
Products	Q4 2013	Q3 2013	%	FY 2013	FY 2012	%
<b>Cast iron</b>	2,364	2,331	1.4%	9,586	10,121	-5.3%
<b>Crude steel</b>	2,913	2,874	1.4%	11,941	12,247	-2.5%
<b>Finished products output, of which:</b>	2,599	2,567	1.2%	10,667	11,029	-3.3%
Slabs and billets	0	0	-	9	48	-81.3%
Long products	428	471	-9.2%	1,814	1,739	4.3%
Flat hot-rolled products	1,127	1,086	3.8%	4,647	5,453	-14.8%
High-Value-Added (HVA) products, of which:	1,043	1,011	3.3%	4,197	3,789	10.8%
Thick plate (mill 5000)	183	170	7.5%	843	799	5.5%
Flat cold-rolled products	411	360	14.1%	1,509	1,366	10.5%
Downstream products, of which:	449	480	-6.4%	1,844	1,623	13.6%
<i>Tin plate</i>	30	34	-12.4%	140	141	-0.7%
<i>Galvanised steel</i>	253	260	-2.8%	978	672	45.6%
<i>Colour-coated steel</i>	76	97	-21.3%	372	329	13.1%
<i>Band</i>	32	26	19.8%	125	143	-12.5%
<i>Formed section</i>	39	37	4.8%	143	244	-41.2%
<i>Pipes</i>	19	25	-22.1%	86	94	-9.2%
<b>Shipments by market:</b>						
<i>Domestic market*</i>	2,140	2,253	-5.0%	8,993	8,449	6.4%
<i>Export</i>	459	315	45.6%	1,674	2,580	-35.1%
Average prices, USD						
	Q4 2013	Q3 2013	%	FY 2013	FY 2012	%
<b>Average price per tonne:</b>	610	618	-1.4%	633	678	-6.6%
Long products	570	577	-1.3%	588	630	-6.7%
Flat hot-rolled products	526	524	0.2%	536	568	-5.8%
High-Value-Added (HVA) products, of which:	717	738	-2.9%	760	859	-11.5%
Thick plate (mill 5000)	685	728	-5.9%	792	906	-12.5%
Flat cold-rolled products	581	565	2.7%	589	677	-13.0%
Downstream products, of which:	854	872	-2.0%	886	990	-10.5%
<i>Tin plate</i>	978	1,010	-3.2%	1,024	1,109	-7.7%
<i>Galvanised steel</i>	814	805	1.1%	827	963	-14.2%
<i>Colour-coated steel</i>	1,092	1,131	-3.4%	1,121	1,213	-7.6%
<i>Band</i>	646	649	-0.4%	662	772	-14.2%
<i>Formed section</i>	813	823	-1.2%	850	916	-7.3%
<i>Pipes</i>	677	670	1.1%	701	750	-6.6%
<b>Average price per tonne, of which:</b>	610	618	-1.4%	633	678	-6.6%
<i>Domestic market*</i>	637	637	0%	661	732	-9.7%
<i>Export</i>	482	481	0.4%	484	501	-3.4%

\*- includes CIS sales

- Finished steel products output in Q4 2013 amounted to 2,599 thousand tonnes, 1.2% higher than in Q3 2013. In FY 2013 finished steel products output totalled 10,667 thousand tonnes, 3.3% lower than in FY 2012. This decline was primarily due to a decline in export sales by 35% in FY 2013.
- In Q4 2013 shipments of MMK's finished products to the domestic market remained at a high level thanks to demand for flat cold-rolled products and thick plate. In Q4 2013 the share of domestic sales in the total volume of shipments was 82%.
- In FY 2013 shipments of MMK's finished products to the domestic market increased by 6.4% y-o-y, while the share of domestic sales in the total volume of shipments was around 84%.
- A focus on the domestic market and commissioning of the new capacities allowed MMK to increase the share of HVA products in the total output volume to 39% in FY 2013 as compared to 34% in FY 2012.

- In FY 2013 output of HVA products grew 10.8% on 12 months 2012.
- Shipments of long products in Q4 2013 totalled 428 thousand tonnes, a decrease of 9.2% q-o-q. In 12 months 2013 sales of long products grew 4.3% in comparison with 12 months 2012. This increase was driven by demand for long products in the construction sector.
- The increase in sales of hot-rolled products in Q4 2013 q-o-q was due to growth in exports.
- Mill 5000 output in Q4 2013 increased by 13 thousand tonnes q-o-q (+7.5%) to 183 thousand tonnes. This growth was primarily due to the increase in shipments for the shipbuilding and bridge-building sectors, as well as to railway industry manufacturers.
- In total, in FY 2013 thick plate mill 5000 output was 5.5% higher than in FY 2012. This was due to the completing of a number of major pipeline laying projects during FY 2013 and further diversification of client base.
- Sales of galvanised and colour-coated steel in Q4 2013 decreased by 2.8% and 21.3% q-o-q, respectively, due to the end of the construction season and lower demand for products for construction.
- In total, significant growth on the construction market during 2013 allowed MMK to increase sales of galvanised and colour-coated steel in FY 2013 by 45.6% and 13.1%, respectively.
- The average sales price on the domestic market in Q4 2013 remained the same q-o-q, while the average exports price for the same period insignificantly increased. The decline in the average sales price in Q4 2013 by 1.4% was due to the higher proportion of exports in the total sales volume.

#### MMK-Metiz

Production, thousand tonnes						
Products	Q4 2013	Q3 2013	%	FY 2013	FY 2012	%
<b>Finished products output, of which:</b>	116	138	-16.3%	535	494	8.3%
<i>Products from MMK steel</i>	114	136	-16.2%	527	487	8.1%

- Production of finished steel products at MMK-Metiz in Q4 2013 reached 116 thousand tonnes, a decrease of 16.3% q-o-q. This was due to a seasonal decline in demand for construction products.
- Production and sales of finished steel products in FY 2013 grew 8.3% against FY 2012 due to overall recovery in the construction industry during the year.

#### MMK Metalurji

Production, thousand tonnes						
Products	Q4 2013	Q3 2013	%	FY 2013	FY 2012	%
<b>Steel</b>	0	0	-	0	790	-
<b>MMK Metalurji finished products, of which:</b>	175	144	21.6%	664	901	-26.2%
Flat hot-rolled products	16	13	17.4%	60	302	-80.2%
HVA products, of which:	159	131	22.1%	604	599	1.0%
<i>Galvanised steel</i>	80	65	23.3%	294	274	7.2%
<i>Colour-coated steel</i>	79	66	20.9%	311	324	-4.3%
<b>MMK Metalurji finished output from MMK steel</b>	53	73	-27.8%	279	0	-

- In Q4 2013 sales of finished products increased by 21.6% q-o-q to 175 thousand tonnes.
- The fall in production volumes of finished steel products in FY 2013 y-o-y was due to the suspension of production and sales of flat hot-rolled products since November 2012. Capacities utilisation of the running facilities increased for the same period.
- HVA products output in FY 2013 increased by 1% y-o-y to 604 thousand tonnes.

## Mining segment

### COAL

#### Belon

Production, thousand tonnes						
Products	Q4 2013	Q3 2013	Change, %	FY 2013	FY 2012	Change, %
Coking coal	1,267	1,177	7.6%	4,955	5,439	-8.9%
<i>Mined</i>	897	820	9.4%	3,635	3,957	-8.1%
<i>Purchased</i>	370	357	3.6%	1,320	1,482	-10.9%
<b>Coking coal concentrate</b>	677	683	-0.9%	2,858	3,325	-14.0%

- Following the completion of planned maintenance work, the volume of own coking coal production in Q4 2013 increased by 9.4% q-o-q to 897 thousand tonnes.
- Production of coking coal concentrate in Q4 2013 remained on the same level q-o-q at 677 thousand tonnes. This was due to a decline in MMK's needs for "K" and "KC" rank coal, as well as higher ash content in the produced coal.
- Production of coking coal concentrate in FY 2013 was 2,858 thousand tonnes, down 14% y-o-y. This was due to a decline in MMK's needs for coking coal as well as the sale of Novobochatsky open-cut mine in late-2013.

### IRON ORE

Production, thousand tonnes						
Products	Q4 2013	Q3 2013	Change, %	FY 2013	FY 2012	Change, %
<b>Iron ore (consumed at MMK), incl.:</b>	966	998	-3.2%	3,723	4,153	-10.4%
MMK iron ore base at Bakal	0	0	0.0%	0	355	-
MMK iron ore base in Magnitogorsk	488	447	9.2%	1,751	1,793	-2.3%
Slag processing	478	551	-13.2%	1,972	2,006	-1.7%

- In-house consumption of iron ore produced by the Group in Q4 2013 decreased by 3.2% q-o-q to 966 thousand tonnes.
- Consumption of iron ore from the base in Magnitogorsk in Q4 2013 reached 488 thousand tonnes, an increase of 9.2% on Q3 2013. This was due to an increase of the share of own ore in sinter burden. The decrease in iron ore produced by the Group in FY 2013 by 2.3% was due to a planned reduction in rich ore production.
- Slag processing volumes in Q4 2013 fell by 13.2% q-o-q to 478 thousand tonnes. This decrease was mainly due to the decrease in volumes of slurry concentrate from slag heaps.
- Slag processing volumes in FY 2013 fell by 1.7% y-o-y to 1,972 thousand tonnes. This was due to a number of improvements focused on reducing consumption of key raw materials, as well as to higher sinter cake quality following the repair of the sinter plant in Q2 2013.

### Outlook

The recovery of demand on the domestic and exports markets in Q1 2014 is likely to lead to higher production and sales of finished steel goods as compared to the previous quarter.

The presentation of the MMK Group's consolidated IFRS financial results for FY 2013 is scheduled for April 2014.

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## **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 the company produced 11.9 million tonnes of crude steel and 11.0 million tonnes of commercial steel products. MMK Group had sales in 2012 of USD 9,328 million and EBITDA of USD 1,356 million*

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