

25 October 2013

MMK Group¹ Trading Update for Q3 and 9 months 2013

MMK Group: Operational highlights

Production, thousand tonnes						
Products	Q3 2013	Q2 2013	%	9 months 2013	9 months 2012	%
MMK Group crude steel	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	-
MMK Group steel products	2,640	2,843	-7%	8,309	9,153	-9%
MMK steel products	2,567	2,757	-7%	8,069	8,400	-4%
MMK-Metiz steel products ²	138	147	-6%	419	380	10%
MMK Metalurji steel products ²	144	168	-14%	490	748	-34%
<i>MMK Group HVA products</i>	1,280	1,382	-7%	4,016	3,667	10%
<i>MMK Group HVA products share</i>	48.5%	48.6%		48.3%	40.0%	
Belon coal concentrate	683	829	-18%	2,181	2,522	-14%
Iron ore	998	888	12%	2,757	3,176	-13%

- MMK Group crude steel output in Q3 2013 totalled 2,874 thousand tonnes (-7% q-o-q).
- MMK Group finished steel products output in Q3 2013 (excluding intra-group sales) totalled 2,640 thousand tonnes (-7% q-o-q). The decline was due to scheduled maintenance work on the blast furnace at the Magnitogorsk site and industrial action by workers at MMK Metalurji which brought production to a halt.
- MMK Group High-Value-Added (HVA) steel products output in Q3 2013 fell to the level of Q2 2013 in line with overall declining production rates, but the share remained at the previous level of over 48%.
- MMK Group High-Value-Added (HVA) steel products output in 9 months 2013 increased 10% against 9 months 2012 to 4,016 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

Production, thousand tonnes						
Products	Q3 2013	Q2 2013	%	9 months 2013	9 months 2012	%
Cast iron	2,331	2,466	-5%	7,223	7,607	-5%
Crude steel	2,874	3,079	-7%	9,027	9,316	-3%
Finished products output, of which:	2,567	2,757	-7%	8,069	8,400	-4%
Slabs and billets	0	9	-	9	47	-81%
Long products	471	461	2%	1,386	1,336	4%
Flat hot-rolled products	1,086	1,204	-10%	3,521	4,185	-16%
High-Value-Added (HVA) products, of which:	1,011	1,084	-7%	3,152	2,832	11%
Thick plate (mill 5000)	170	244	-30%	660	623	6%
Flat cold-rolled products	360	363	-1%	1,097	1,000	10%
Downstream products, of which:	480	476	1%	1,395	1,209	15%
<i>Tin plate</i>	34	41	-16%	110	110	-1%
<i>Galvanised steel</i>	260	248	5%	725	480	51%
<i>Colour-coated steel</i>	97	102	-5%	296	253	17%
<i>Band</i>	26	28	-6%	93	104	-10%
<i>Formed section</i>	37	37	1%	105	191	-45%
<i>Pipes</i>	25	20	23%	66	72	-8%
Shipments by market:						
<i>Domestic market*</i>	2,253	2,398	-6%	6,853	6,433	7%
<i>Export</i>	315	359	-12%	1,215	1,967	-38%
Average prices, USD						
	Q3 2013	Q2 2013	%	9 months 2013	9 months 2012	%
Average price per tonne:	618	649	-5%	652	688	-5%
Long products	577	591	-2%	604	633	-5%
Flat hot-rolled products	524	544	-4%	548	578	-5%
High-Value-Added (HVA) products, of which:	738	790	-7%	788	879	-10%
Thick plate (mill 5000)	728	843	-14%	838	917	-9%
Flat cold-rolled products	565	597	-5%	602	694	-13%
Downstream products, of which:	872	910	-4%	911	1,012	-10%
<i>Tin plate</i>	1,010	1,038	-3%	1,055	1,112	-5%
<i>Galvanised steel</i>	805	833	-3%	845	991	-15%
<i>Colour-coated steel</i>	1,131	1,151	-2%	1,149	1,239	-7%
<i>Band</i>	649	717	-9%	679	797	-15%
<i>Formed section</i>	823	873	-6%	877	922	-5%
<i>Pipes</i>	670	713	-6%	720	753	-4%
Average price per tonne, of which:	618	649	-5%	652	688	-5%
<i>Domestic market*</i>	637	672	-5%	680	742	-8%
<i>Export</i>	481	498	-3%	492	510	-4%

*- includes CIS sales

- Finished steel products output in Q3 2013 amounted to 2,567 tonnes, 7% lower than in Q2 2013. This decline was due to the routine maintenance of No.6 blast furnace.
- In Q3 2013 shipments of MMK's finished products to the domestic market remained at a high level thanks to the demand for steel from the construction sector. In Q3 2013 the share of domestic sales in the total volume of shipments was almost 88%.
- For 9 months 2013 shipments of finished steel products to the domestic market increased 7% against the same period in 2012.
- The share of HVA products in total production remained at the previously high level (over 39%)
- In 9 months 2013 output of HVA products grew 11% on 9 months 2012.

- Shipments of long products in Q3 2013 totalled 471 thousand tonnes, an increase of 2% q-o-q. At the same time, in 9 months 2013 sales of long products grew 4% in comparison with 9 months 2012. This increase was driven by demand for steel in the construction sector.
- The decrease in sales of hot-rolled products in Q3 2013 q-o-q was caused by a reduction in exports which are mainly made up of commercial quality hot-rolled products.
- Mill 5000 output in Q3 2013 fell by 74 thousand tonnes q-o-q to 170 thousand tonnes. This fall was due to completing supplies to pipe companies for the SAK-3 project, and postponements to some pipeline laying projects.
- In total, in 9 months 2013 thick plate mill 5000 output was 6% higher than in 9 months 2012.
- Sales volumes of galvanised steel in Q3 2013 grew by 5% q-o-q, due to the favourable situation in the construction industry throughout 2013.
- For 9 months 2013, in comparison with 9 months 2012, sales of galvanised and colour-coated steel grew by 51% and 17% respectively.

MMK-Metiz

Production, thousand tonnes						
Products	Q3 2013	Q2 2013	%	9 months 2013	9 months 2012	%
Finished products output, of which:	138	147	-6%	419	380	10%
<i>Products from MMK steel</i>	136	144	-5%	413	375	10%

- Production of finished steel products at MMK-Metiz in Q3 2013 reached 138 thousand tonnes, a decrease of 6% q-o-q. This was due to a fall in demand for railway chocks.
- Production and sales of finished steel products in 9 months 2013 grew 10% against 9 months 2012 due to overall recovery in the construction industry.

MMK Metalurji

Production, thousand tonnes						
Products	Q3 2013	Q2 2013	%	9 months 2013	9 months 2012	%
Steel	0	0	-	0	752	-
MMK Metalurji finished products, of which:	144	168	-14%	490	748	-34%
Flat hot-rolled products	13	15	-13%	44	293	-85%
HVA products, of which:	131	152	-14%	445	455	-2%
<i>Galvanised steel</i>	65	73	-11%	214	217	-1%
<i>Colour-coated steel</i>	66	80	-18%	232	238	-3%
MMK Metalurji finished output from MMK steel	73	83	-12%	256	0	-

- In Q3 2013 MMK Metalurji's working production facilities were close to full capacity.
- The fall in production volumes of finished steel products in Q3 2013 compared to the previous quarter was due to industrial action by production staff.

Mining segment

COAL

Belon

Production, thousand tonnes						
Products	Q3 2013	Q2 2013	%	9 months 2013	9 months 2012	%

Coking coal	1,177	1,389	-15%	3,688	4,128	-11%
<i>Mined</i>	820	1,063	-23%	2,738	3,011	-9%
<i>Purchased</i>	357	326	10%	950	1,117	-15%
Coking coal concentrate	683	829	-18%	2,181	2,522	-14%

- Mined volumes of coking coal fell by 23% in Q3 2013 q-o-q due to scheduled maintenance of the coal faces in Q3 2013
- Production of coking coal concentrate in Q3 2013 was 683 thousand tonnes, down 18% q-o-q

IRON ORE

Production, thousand tonnes						
Products	Q3 2013	Q2 2013	%	9 months 2013	9 months 2012	%
Iron ore (consumed at MMK), incl.:	998	888	12%	2,757	3,176	-13%
MMK iron ore base at Bakal	0	0	-	0	355	-
MMK iron ore base in Magnitogorsk	447	383	17%	1,263	1,303	-3%
Slag processing	551	505	9%	1,494	1,519	-2%

- In-house consumption of iron ore produced by the Group in Q3 2013 grew by 12% q-o-q to 998 thousand tonnes.
- Consumption of iron ore from the base in Magnitogorsk in Q3 2013 reached 447 thousand tonnes, an increase of 17% on Q2 2013. This was due to completion of repairs to the concentration plant in Q2.
- Slag processing volumes in Q3 2013 grew by 9% q-o-q to 551 thousand tonnes. This increase against Q2 2013 was mainly due to the increase in volumes of slurry concentrate from slag heaps.

Outlook

In Q4 2013 the company plans to maintain production volumes of finished steel products at the level of Q3 2013

The presentation of the MMK Group's consolidated IFRS financial results for Q3 2013 is scheduled for the end of November 2013

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 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

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