



October 27, 2010

MMK Operational Trading Update for Q3 and 9 months 2010

MMK Group operational highlights

- Crude steel output in 9 months 2010 amounted to 8,654 th. tons which is 22.6% higher y-on-y.
- Steel products output in 9 months 2010 amounted to 8,183 th. tons, and increased by 21.6% y-on-y.
- Coking coal concentrate output rose by 6.4% in 9 months 2010 y-on-y to 2,118 th. tons.
- Steam coal concentrate output rose by 25.7% in 9 months 2010 y-on-y to 2,128 th. tons.
- Iron ore output in 9M 2010 amounted to 3,674 th. tons and rose by 18.4% y-on-y.
- Average price of MMK finished steel products amounted to \$632 per ton.
- Domestic shipments share rose by 4% q-on-q in Q3 2010 and amounted to 69%.
- HVA products share in MMK's product mix amounted to 33%.

MMK first vice-president for strategy and metallurgy Rafkat Takhautdinov said: "We are satisfied with our performance in the 3rd quarter and nine months of 2010. We managed to increase production volumes by more than 20% y-on-y due to focus on domestic sales and mastering new product types with high margins."

Steel segment

MMK

Production, th. tons						
Production	3Q'10	2Q'10	%	9m'10	9m'09	%
Cast iron	2,315	2,320	-0.2%	6,871	5,924	16.0%
Crude steel	2,938	2,985	-1.6%	8,654	7,060	22.6%
Finished products output, incl.:	2,661	2,623	1.5%	7,737	6,437	20.2%
Slabs and billets	83	115	-27.8%	198	2	n/a
Long products	336	203	65.5%	749	829	-9.7%
Flat hot-rolled products	1,371	1,397	-1.9%	4,276	3,903	9.6%
High value-added (HVA) products, incl.:	872	908	-4.0%	2,514	1,704	47.5%
Thick plate (mill 5000)	245	228	7.5%	649	29	n/a
Flat cold-rolled products	277	306	-9.5%	834	798	4.5%
Downstream products, incl.:	349	374	-6.7%	1,030	877	17.4%
Tin plate	41	66	-37.9%	166	170	-2.4%
Galvanized steel	153	157	-2.5%	430	374	15.0%
Colour-coated steel	67	52	28.8%	158	152	3.9%
Band	30	34	-11.8%	90	78	15.4%
Formed section	38	48	-20.8%	136	54	151.9%
Pipes	20	16	25.0%	51	48	6.3%
Shipments by market:						
Domestic shipments	1,835	1,712	7.2%	5,112	3,581	42.8%
Export shipments	826	910	-9.2%	2,625	2,857	-8.1%
Average prices, USD						

	3Q'10	2Q'10	%	9m'10	9m'09	%
Average price per ton:						
Slabs and billets	410	484	-15.3%	455	390	16.7%
Long products	619	609	1.6%	595	432	37.7%
Flat hot-rolled products	529	568	-6.9%	525	382	37.4%
High value-added (HVA) products, incl.:	818	799	2.4%	789	611	29.1%
Thick plate (mill 5000)	887	831	6.7%	850	648	31.2%
Flat cold-rolled products	646	645	0.2%	617	438	40.9%
Downstream products, incl.:	906	905	0.1%	888	766	15.9%
<i>Tin plate</i>	964	971	-0.7%	955	927	3.0%
<i>Galvanized steel</i>	853	864	-1.3%	846	692	22.3%
<i>Colour-coated steel</i>	1,179	1,267	-6.9%	1,220	963	26.7%
<i>Band</i>	811	785	3.3%	770	596	29.2%
<i>Formed section</i>	768	719	6.8%	718	667	7.6%
<i>Pipes</i>	674	678	-0.6%	655	529	23.8%
Average price per ton, incl.:	632	647	-2.3%	615	449	37.0%
<i>Domestic sales</i>	701	706	-0.7%	680	514	32.1%
<i>Export sales</i>	478	537	-11.0%	490	366	33.7%

- Finished products output in Q3 2010 rose by 1.5% q-on-q and amounted to 2,661 th. tons. Main growth drivers are mill 5000 thick plates, colour-coated and long products.
- Share of slabs in products portfolio decreased by 28% in Q3 2010 which is in line with the policy pursued by the company to bring to zero production of semi-finished products and increase output of HVA products.
- Q3 2010 long products production increased significantly (by 65%) q-on-q thanks to observed recovery in the domestic market demand buttressed by shortage of supply. Minimal July supply volumes and increased activity in the rebar market in August made traders to resume restocking.
- Ramadan holiday in the Middle East, holiday season and continued unstable economic situation in Europe lead to reduced shipments and weaker prices for HRC.
- HVA products share in MMK's product mix remained mainly unchanged q-on-q at the level of 33%.
- In Q3 2010 MMK kept on increasing monthly production volumes of thick plate at mill 5000. Overall Q3 2010 production at mill 5000 amounted to 245 th. tons which is 7.5% higher q-on-q.
- CRC shipments volume decreased because of reduced motor cars production in August, with Russian automakers being key consumers of this product type. In its turn motor cars output declined because of emergency situation as the result of continued fires in a number of Russian regions in Russia. This led to car-makers standing idle.
- MMK continues to successfully compete in the segment of rolled steel products with coatings. The company managed to build up its coated steel output by 5% q-on-q despite peak import levels from China during summer months.
- Domestic shipments share in Q3 2010 rose by 4% q-on-q and amounted to 69%. In absolute figures Q3 2010 domestic shipments rose by 123 th. tons (up 7.2%), while export shipments decreased by 84 th. tons (down 9.2%). These changes are in line with MMK's strategy of increasing presence in the attractive domestic market, suggesting price premium, i.a. by replacement of imported steel products.
- Q3 2010 average price per ton of steel products changed from \$647 to \$632 mainly due to weaker prices in export markets.
- Q3 2010 domestic market average price remained flat (around \$700 per ton). Average export price went down to \$478 in Q3 from \$537 q-on-q.
- Average price of HVA products in Q3 2010 went up by \$19 or 2.4%. This growth also reflects increased average price for mill 5000 products which went up by \$56 or 6.7%. The growth is mainly attributable to

mastering of new steel grades and increased range of steel shipments to pipe producers (specializing on more sophisticated product types) in terms of plate thickness.

MMK-Atakas

Production, th. tons						
Production	3Q'10	2Q'10	%	9m'10	9m'09	%
Finished steel products, incl.:	54	38	42.1%	111	21	428.6%
<i>Flat hot-rolled products</i>	29	20	45.0%	64	16	300.0%
<i>Flat cold-rolled products</i>	0	0,3	n/a	1	2	-50.0%
<i>Galvanized steel</i>	12	8	50.0%	21	3	600.0%
<i>Colour-coated steel</i>	13	10	30.0%	25	-	n/a
Average prices, USD						
	3Q'10	2Q'10	%	9m'10	9m'09	%
Finished steel products, incl.:	774	793	-2.4%	784	569	44.6%
<i>Flat hot-rolled products</i>	634	627	1.1%	667	529	26.1%
<i>Flat cold-rolled products</i>		757	n/a	750	612	22.5%
<i>Galvanized steel</i>	796	812	-2.0%	803	735	9.3%
<i>Colour-coated steel</i>	1,062	1,104	-3.8%	1,076	-	n/a

- Q3 2010 finished products output amounted to 54 th. tons, which is 42.1% higher q-on-q. The main growth drivers were commissioning and ramp-up of new production facilities.
- Average realized price went down by 2.4% in Q3 2010 and amounted to \$774 per ton because of market conditions.

Mining segment

COAL

Belon

Production, th. tons						
Production	3Q'10	2Q'10	%	9m'10	9m'09	%
Coking coal	822	1,150	-28.5%	3,325	2,828	17.6%
<i>Mined</i>	747	1,078	-30.7%	3,026	2,753	9.9%
<i>Purchased</i>	75	72	4.2%	299	75	298.7%
Coking coal concentrate	525	747	-29.7%	2,118	1,991	6.4%
Steam coal	628	887	-29.2%	2,481	1,758	41.1%
<i>Mined</i>	628	887	-29.2%	2,481	1,755	41.4%
<i>Purchased</i>	0	0	n/a	0	3	n/a
Steam coal concentrate	569	853	-33.3%	2,128	1,693	25.7%
Average prices, USD						
	3Q'10	2Q'10	%	9m'10	9m'09	%
Coking coal concentrate	146	139	5.0%	134	61	119.7%
Steam coal concentrate	46	40	15.0%	43	52	-17.3%

- Q3 2010 coking coal concentrate production amounted to 525 th. tons, output of steam coal concentrate reached 569 th. tons.
- This decrease in concentrate production is attributable to change of walls during Q3 2010, additional works to meet safety requirements, difficult geological and mining conditions and increased ash content. Starting from September 2010 production volumes recovered and are in line with production plans for 2010 year-end.

There is a persisting undersupply of fat-base coking coals after the explosion at Rapsadskaya. At present Belon is one of the key suppliers of these coal grades. The company increased its share in the Russian market in 2010 to 10% from 8% in 2009.

IRON ORE

Production, th. tons						
Production	3Q'10	2Q'10	%	9m'10	9m'09	%
Iron ore production, incl.:	1,306	1,261	3.6%	3,674	3,102	18.4%
Iron ore production (Bakal)	482	411	17.3%	1,289	735	75.4%
Iron ore production (MMK base in Magnitogorsk)	354	390	-9.2%	1,119	1,068	4.8%
Slag processing	470	460	2.2%	1,266	1,299	-2.5%

- Iron ore production at Bakal in Q3 2010 went up by 17.3% q-on-q to reach 482 th. tons.
- Increased production volumes for the 9m 2010 period y-on-y is the results of ramp-up of production at Sosnovsky deposit.

Development of MMK key investment projects

Mill 5000

Mill 5000 has reached full capacity and is now runs at 100% of utilization rate. Having mastered x70 steel grade steel, the company is now mastering grade x80. This strong steel grades are used in construction of trunk pipelines.

The main consumers of MMK thick plate are OMK (Vyksunsky steel mill), TMK (Volzhsky pipe mill) and ChTPZ.

As part of the acceptance process of supply for the Shtokman project companies Saipem, Samsung Heavy Industries and Shtokman Development AG paid a visit to MMK in October 2010. The implied supplies will include high grade steel plate up to 50 mm thick capable to serve at -60° C.

In October 2010 MMK made a shipment of premium price class thick plate to the United Shipbuilding Company.

Mill 2000

MMK continues construction of its new cold rolling complex (Mill 2000) in order to benefit from the growing market of high- and ultra high-strength steel types. 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 white-goods production and in construction industry.

Mill 2000 will produce 2 mln tons of finished steel products per year, including 700 th. tons of galvanized steel.

Cold rolling mill and pickling line will be commissioned in the middle of 2011, while full-cycle production at the facility will be commissioned by mid 2012.

At the moment the building containing the cold rolling mill and the pickling line is 90% ready, $\frac{3}{4}$ of the equipment foundation is built and above $\frac{1}{2}$ of equipment is installed.

MMK-Atakas

In order to strengthen the footprint in the Middle East market MMK completes MMK-Atakas steel-making complex in Turkey.

February 2010 saw commissioning of the colour-coating line, April 2010 – hot-dip galvanizing line. At the same time captive sea port of MMK-Atakas in Iskenderun started its operation. Construction works were completed at the cold rolling shop, scrap yard, water preparation shop and power station. On October 20, 2010 MMK-Atakas commissioned the cold-rolling mill. It is planned that all the production facilities of MMK-Atakas complex in Iskenderun and in Istanbul be commissioned in Q1 2011.

Outlook

Production volumes in Q4 2010 are expected to be at Q3 2010 levels, shipments to the domestic market are planned to increase.

MMK Group Q3 and 9 months 2010 results under IFRS will be published in the 1st half of December 2010.

About OJSC MMK

OJSC 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. MMK realizes MMK-Atakas project in Turkey with annual capacity of 2.3 mln tons of flat steel. In 2009 the company produced 9.6 mln tons of crude steel and 8.8 mln tons of commercial steel products. MMK Group revenue in 2009 stood at USD 5.081 bn, EBITDA at USD 1.285 bn, profit for the period - USD 219 mln.