



25 July 2012

MMK Group¹ Operational Trading Update for Q2 and H1 2012

MMK Group operational highlights

Production, thousand tonnes						
Products	Q2 '12	Q1 '12	%	H1 '12	H1 '11	%
MMK Group crude steel	3,294	3,417	-4%	6,711	5,905	14%
MMK crude steel	3,012	3,117	-3%	6,129	5,884	4%
MMK Metalurji crude steel	282	300	-6%	582	21	x28
MMK Group steel products	3,062	3,021	1.4%	6,082	5,349	14%
MMK steel products	2,776	2,766	0.4%	5,542	5,234	6%
MMK-Metiz steel products ²	142	110	29%	251	237	6%
MMK Metalurji steel products	284	253	12%	538	112	x5
<i>MMK Group HVA products</i>	1,209	1,199	1%	2,392	2,050	17%
<i>MMK Group HVA products share</i>	39%	40%		39%	38%	
Belon coal concentrate	761	776	-2%	1,537	1,486	3%
Iron ore	1,107	1,047	6%	2,155	2,423	-11%

- MMK Group crude steel output in H1 2012 amounted to 6,711 thousand tonnes (14% higher y-o-y)
- MMK Group finished steel products output in H1 2012 amounted to 6,082 thousand tonnes (14% higher y-o-y).
- MMK Group finished steel products output in Q2 2012 totalled 3,062 thousand tonnes (1.4% higher q-on-q)
- MMK finished steel products output in Q2 2012 totalled 2,776 thousand tonnes (0.4% higher q-on-q)
- MMK-Metiz finished steel products output in Q2 2012 totalled 142 thousand tonnes (29% higher q-on-q)
- MMK-Metalurji finished steel products output in Q2 2012 totalled 284 thousand tonnes (12% higher q-on-q)
- MMK Group High-Value-Added (HVA) steel products in H1 2012 increased 17% y-o-y and reached 2,392 thousand tonnes. HVA production in Q2 2012 amounted to 1,209 thousand tonnes.
- Coking coal concentrate output in H1 2012 amounted to 1,537 thousand tonnes (3% higher y-o-y). In Q2 2012 coking coal concentrate output totalled 761 thousand tonnes.
- Consumption of in-house iron ore in Q2 2012 amounted to 1,107 thousand tonnes (6% higher q-o-q).

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

² MMK-Metiz products manufactured from products supplied by MMK are not included in the finished products of MMK Group

Steel segment

MMK

Production, thousand tonnes						
Products	Q2 '12	Q1 '12	%	H1 '12	H1 '11	%
Cast iron	2,557	2,479	3%	5,037	4,780	5%
Crude steel	3,012	3,117	-3%	6,129	5,884	4%
Finished products output, incl.:	2,776	2 766	0.4%	5,542	5,234	6%
Slabs and billets	0.7	45	-99%	46	55	-17%
Long products	451	401	12%	852	648	31%
Flat hot-rolled products	1,416	1,380	3%	2,797	2,818	-1%
High value-added (HVA) products, incl.:	908	939	-3%	1,847	1,713	8%
Thick plate (mill 5000)	195	248	-22%	444	550	-19%
Flat cold-rolled products	304	316	-4%	621	481	29%
Downstream products, incl.:	409	374	9%	783	682	15%
<i>Tin plate</i>	33	37	-12%	70	77	-8%
<i>Galvanized steel</i>	144	159	-9%	303	264	15%
<i>Colour-coated steel</i>	94	65	44%	158	124	28%
<i>Band</i>	37	30	25%	67	49	37%
<i>Formed section</i>	77	60	28%	137	142	-3%
<i>Pipes</i>	24	23	3%	47	26	78%
Shipments by market:						
<i>Domestic market*</i>	2,162	2,033	6%	4,195	3,565	18%
<i>Export</i>	614	732	-16%	1,347	1,669	-19%
Average prices, USD						
	Q2 '12	Q1 '12	%	H1 '12	H1 '11	%
Average price per tonne:						
Slabs and billets	-	496	-	502	555	-10%
Long products	626	647	-3%	636	697	-9%
Flat hot-rolled products	590	599	-1%	595	675	-12%
High value-added (HVA) products, incl.:	896	894	0.2%	895	1,007	-11%
Thick plate (mill 5000)	916	939	-2%	927	1,144	-19%
Flat cold-rolled products	712	726	-2%	719	789	-9%
Downstream products, incl.:	1,023	1,007	2%	1,016	1,051	-3%
<i>Tin plate</i>	1,120	1,093	2%	1,105	1,140	-3%
<i>Galvanized steel</i>	1,018	984	3%	999	993	1%
<i>Colour-coated steel</i>	1,253	1,225	2%	1,245	1,236	1%
<i>Band</i>	790	867	-9%	825	1,045	-21%
<i>Formed section</i>	905	949	-5%	925	976	-5%
<i>Pipes</i>	764	752	2%	758	859	-12%
Average price per tonne, incl.:	696	705	-1%	700	785	-11%
<i>Domestic sales*</i>	744	772	-4%	758	869	-13%
<i>Export sales</i>	528	517	2%	521	608	-14%

* includes CIS sales

- Finished steel products output in Q2 2012 amounted to 2,776 thousand tonnes, which is nearly identical to the output in Q1 2012. Sales to the high-priority domestic market increased by 6% in volume, with the total share in shipments rising 4 percentage points in the second quarter to 78%.
- In H1 2012 production of high-value-added (HVA) products increased by 15% from H1 2011. This growth was driven by an increase in output of cold-roll, galvanized and colour-coated steel products.
- The 3% decrease in HVA sales from Q2 2012 compared to Q1 2012 was largely a result of lower sales of thick plate (mill 5000). Over the same period the production of downstream products rose by 9% q-o-q and totalled 409 thousand tonnes.
- In Q2 2012 there were no sales of slabs to third parties.
- The 12% rise in shipments of long steel products in Q2 2012 compared to Q1 2012 resulted from an increase in demand from the construction sector. In addition to this factor, growth in long product sales was also

generated by an increase in production volumes at the Metiz division of MMK Group – MMK-Metiz (up 29%), which processes long steel products produced by MMK.

- Production of hot-roll products in Q2 2012 amounted to 1,416 thousand tonnes, which is 3% more than in Q1 2012.
- The volume of finished products from Mill 5000 in Q2 2012 decreased by 22% compared to Q1 2012 and amounted to 195 thousand tonnes. The lower volume of shipments of Mill 5000 flat hot-roll products was a result of completion in Q2 2012 of large shipments for construction of current pipeline projects and the situation with regard to prospective projects did not improve (postponement of new projects).
- The reduction of galvanized steel production in Q2 2012 in comparison to Q1 2012 by 9% was related to the substantial growth in shipments of colour-coated steel.
- The increase in the volume of shipments of colour-coated steel products in Q2 2012 by 44% in comparison to Q1 2012 can be explained by the seasonal increase in the construction sector in Russia.
- The average price for steel products sold in Q2 2012 decreased insubstantially (by approximately 1%) in comparison with Q1 2012.

MMK-Metiz

Production, thousand tonnes						
Product	Q2 '12	Q1 '12	%	H1 '12	H1 '11	%
Finished steel products, incl.:	142	110	29%	251	237	6%
<i>Products from MMK steel</i>	140	108	29%	248	234	6%

- Production of finished steel products at MMK-Metiz in Q2 2012 grew by 29% in comparison to Q1 2012 and amounted to 142 thousand tonnes.
- This growth is related to the seasonal surge in the sectors which are the main consumers of MMK-Metiz's products (the construction industry and metallurgy).

MMK Metalurji

Production, thousand tonnes						
Product	Q2 '12	Q1 '12	%	H1 '12	H1 '11	%
Crude steel	282	300	-6%	582	21	x28
Finished products of MMK Metalurji, incl.:	284	253	12%	538	112	x5
Flat cold-roll products	125	119	5%	244	12	x20
HVA products, incl.:	159	135	18%	294	100	x3
<i>Galvanized steel</i>	81	76	6%	157	61	x3
<i>Colour-coated steel</i>	79	58	35%	137	39	x4

- Steel smelting in Q2 2012 totalled 282 thousand tonnes, which is 6% less than in Q1 2012.
- The sale of finished products from MMK's operations in Turkey in Q2 2012 amounted to 284 thousand tonnes, which is up 12% from Q1 2012. The higher level of finished products sold than crude steel produced is a result of the processing of hot-roll products supplied by MMK Group's operations in Russia.
- Colour-coated steel production increased by 35% from Q1 2012 to Q2 2012 as a result of the seasonal resurgence of the construction sector.
- Growth in galvanized steel production reached 6% in Q2 2012 q-o-q, also due to seasonal growth factors.

Mining segment

COAL

Belon

Production, thousand tonnes						
Product	Q2 '12	Q1 '12	%	H1 '12	H1 '11	%
Coking coal	1,226	1,292	-5%	2,518	2,372	6%
<i>Mined</i>	753	998	-25%	1,751	1,844	-5%
<i>Purchased</i>	473	294	61%	767	528	45%
Coking coal concentrate	761	776	-2%	1,537	1,486	3%

- The lower volume of coking coal mined by MMK (down 25%) in Q2 2012 in comparison to Q1 2012 was related to the continuation of the scheduled mine maintenance in April-May 2012. This work was concluded at the end of Q2 2012.
- Production of coking coal concentrate in Q2 2012 amounted to 761 thousand tonnes. This decrease in production by 2% in comparison to Q1 2012 was a result of the lower volume of MMK-mined coal in Q2 2012.
- Despite the relatively insignificant decline in the volume of coal concentrate produced, shipments of concentrate to MMK in Q2 2012 increased by approximately 12% q-o-q.
- On the whole in 2012, despite the scheduled maintenance work, production of coking coal concentrate should remain at the same level seen in 2011.

Iron Ore

Production, thousand tonnes						
Product	Q2 '12	Q1 '12	%	H1 '12	H1 '11	%
Iron ore (consumed at MMK), incl.:	1,107	1,047	6%	2,155	2,423	-11%
MMK iron ore base at Bakal*	139	125	11%	264	578	-54%
MMK iron ore base in Magnitogorsk	458	467	-2%	925	770	20%
Slag processing	511	455	12%	966	1,075	-10%

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

- Captive iron ore consumption in Q2 2012 increased 6% q-o-q and amounted to 1,107 thousand tonnes.
- Consumption of iron ore coming from Bakal in Q2 2012 amounted to 139 thousand tonnes, which is an 11% increase from Q1 2012.
- Consumption of iron ore from Magnitogorsk in Q2 2012 totalled 458 thousand tonnes, which was 2% less than in Q1 2012. This decrease was a result of a planned reduction in the production of high-grade ore.
- Output from slag processing rose 12% q-o-q in Q2 2012 and amounted to 511 thousand tonnes. The 10% decrease in the use of iron from slag processing in H1 2011 to H1 2012 was related to a number of improvements made aimed at reducing waste of primary resources and improvement of the quality of the sinter.

Key investment projects of MMK Group

Mill 2000

On 16 July 2012, MMK launched the second stage of its new cold rolling complex, which includes a continuous hot-galvanizing unit, a combined annealing/hot-galvanizing unit, and a coil inspection and slitting line. Russian President Vladimir Putin attended the ribbon-cutting ceremony. With the launch of the second stage the construction process of the most modern cold rolling complex in Russia was completed.

At present the mill is beginning to prepare test products made of highly durable cold-rolled and galvanized steel for testing by automakers, who will be certifying the mill for the manufacturing of automotive components.

Since early 2012 the Mill 2000 has been working at a production level of approximately 100 thousand tonnes of cold-rolled products per month. These cold-rolled products are now being used for the production of galvanized

steel and colour-coated steel at MMK's plants. The high quality of these products improves their competitiveness on the market.

Outlook

It is expected that in Q3 2012 the volume of sold finished products will remain at approximately the same level as in Q2 2012.

Steel consumption growth in Russia and in the world in general, production volumes growth at MMK assets in Turkey allow for higher sales volumes of MMK Group steel products for 2012 compared to 2011.

The publication of consolidated results under IFRS for MMK Group for Q2 and H1 2012 is scheduled for late August 2012.

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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 2011 the MMK Group produced 12.2 mln tonnes of crude steel and 11.2 mln tons of commercial steel products. MMK Group revenue in 2011 stood at USD 9.306 bn and EBITDA at USD 1.336 bn.

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