



Magnitogorsk Iron & Steel Works

31 January 2012

MMK Group¹ Operational Trading Update for Q4 and FY 2012

MMK Group operational highlights

Production, thousand tonnes						
Products	FY 2012	FY 2011	%	Q4 2012	Q3 2012	%
MMK Group crude steel	13,037	12,195	6.9%	2,969	3,357	-11.6%
MMK crude steel	12,247	11,724	4.5%	2,931	3,187	-8.0%
MMK Metalurji crude steel	790	471	67.8%	38	170	-77.6%
MMK Group steel products	11,936	11,158	7.0%	2,783	3,072	-9.4%
MMK steel products	11,029	10,646	3.6%	2,629	2,858	-8.0%
MMK-Metiz steel products ²	493	465	6.2%	114	129	-11.7%
MMK Metalurji steel products	900	505	78.2%	152	211	-28.0%
<i>MMK Group HVA products</i>	4,880	4,063	20.1%	1,213	1,276	-4.9%
<i>MMK Group HVA products share</i>	41%	36%		44%	40%	
Belon coal concentrate	3,325	3,216	3.4%	803	985	-18.5%
Iron ore	4,114	4,824	-14.7%	938	1,021	-8.1%

- MMK Group crude steel output in 2012 amounted to 13,037 thousand tonnes (6.9% higher y-o-y)
- MMK Group finished steel products output in 2012 amounted to 11,936 thousand tonnes (7% higher y-o-y).
- MMK finished steel products output in 2012 amounted to 11,029 thousand tonnes (3.6% higher y-o-y).
- MMK-Metiz finished steel products output in 2012 totalled 493 thousand tonnes (6.2% higher y-o-y).
- MMK-Metalurji finished steel products output in 2012 totalled 900 thousand tonnes (1.8 times higher y-o-y).
- MMK Group High-Value-Added (HVA) steel products in 2012 increased 20% y-o-y and reached 4,880 thousand tonnes. The share of HVA production in total output for 2012 amounted to 41%.
- Coking coal concentrate output in 2012 amounted to 3,325 thousand tonnes (3.4% higher y-o-y).
- In-house consumption of iron ore in 2012 amounted to 4,114 thousand tonnes (down 14.7% y-o-y).

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	FY 2012	FY 2011	%	Q4 2012	Q3 2012	%
Cast iron	10,121	9,496	6.6%	2,514	2,571	-2.2%
Crude steel	12,247	11,724	4.5%	2,931	3,187	-8.0%
Finished products output, incl.:	11,029	10,646	3.6%	2,629	2,858	-8.0%
Slabs and billets	48	157	-69.4%	1	1	-42.9%
Long products	1,739	1,499	16.1%	404	484	-16.6%
Flat hot-rolled products	5,454	5,708	-4.4%	1,269	1,388	-8.6%
High value-added (HVA) products, incl.:	3,788	3,283	15.4%	956	985	-2.9%
Thick plate (mill 5000)	799	899	-11.1%	177	179	-1.5%
Flat cold-rolled products	1,365	1,027	33.0%	365	379	-3.7%
Downstream products, incl.:	1,623	1,357	19.6%	414	426	-2.8%
<i>Tin plate</i>	141	134	5.2%	30	40	-23.8%
<i>Galvanized steel</i>	672	527	27.5%	192	177	8.6%
<i>Colour-coated steel</i>	329	290	13.4%	77	94	-18.7%
<i>Band</i>	143	98	46.4%	39	37	6.5%
<i>Formed section</i>	244	259	-5.9%	54	53	0.3%
<i>Pipes</i>	94	49	91.2%	22	25	-11.0%
Shipments by market:						
<i>Domestic market*</i>	8 449	7 181	17.7%	2,016	2,237	-9.9%
<i>Export</i>	2 580	3 465	-25.5%	613	621	-1.2%
Average prices, USD						
	FY 2012	FY 2011	%	Q4 2012	Q3 2012	%
Average price per tonne:						
Slabs and billets	510	524	-2.6%	-	-	-
Long products	630	687	-8.3%	619	626	-1.1%
Flat hot-rolled products	568	653	-12.9%	538	545	-1.2%
High value-added (HVA) products, incl.:	859	981	-12.4%	802	848	-5.5%
Thick plate (mill 5000)	906	1,061	-14.6%	865	900	-3.8%
Flat cold-rolled products	677	787	-14.1%	630	650	-3.1%
Downstream products, incl.:	990	1,074	-7.9%	926	1,003	-7.6%
<i>Tin plate</i>	1,109	1,134	-2.2%	1,097	1,120	-2.1%
<i>Galvanized steel</i>	963	1,028	-6.3%	894	972	-8.1%
<i>Colour-coated steel</i>	1,213	1,273	-4.6%	1,129	1,224	-7.8%
<i>Band</i>	772	1,008	-23.5%	703	747	-5.8%
<i>Formed section</i>	916	970	-5.5%	895	922	-2.9%
<i>Pipes</i>	750	845	-11.2%	742	742	-0.1%
Average price per tonne, incl.:	678	757	-10.4%	647	663	-2.5%
<i>Domestic sales*</i>	732	836	-12.4%	700	712	-1.8%
<i>Export sales</i>	501	593	-15.5%	473	486	-2.8%

*- includes CIS sales

- Finished steel products output in 2012 amounted to 11,029 thousand tonnes, which is 3.6% more than in 2011.
- Sales to the domestic market increased by 17.7% in volume, accounting for 77% of all shipments in 2012.
- The sharper decline in shipments to the domestic market in Q4 2012 compared to Q3 2012 was a result of a more pronounced seasonal factor.
- In 2012 production of high-value-added (HVA) products increased by more than 15% from 2011. This growth was largely driven by an increase in output of cold-rolled, galvanized and colour-coated steel products.
- Shipments of long steel products in 2012 amounted to 1,739 thousand tonnes, which represents a 16% increase y-o-y. This growth was driven by the recovery in demand for steel from the construction industry.

Furthermore, growth in long product sales was also generated by a 6% increase in production at the Metiz division of MMK Group – MMK-Metiz which processes long steel products produced by MMK.

- The decline in shipments of long products in Q4 2012 compared to Q3 2012 was related to the seasonal decline in activity in the construction sector.
- The volume of finished products from Mill 5000 in 2012 decreased by 11% compared to 2011 and amounted to 799 thousand tonnes. The lower volume of shipments of thick plate was a result of lower volumes of orders from pipe makers due to the postponement of oil and gas projects.
- The volume of shipments of products from Mill 5000 in Q4 2012 remained at the same level as in Q3 2012 and amounted to 177 thousand tonnes. However, near the end of Q4 2012 sales of products from this mill began to rise thanks to orders from pipe makers.
- The production and shipment volume of cold-rolled products in 2012 increased by 33% compared to 2011 due to the launch of the Mill 2000 and also thanks to growth of shipments of metal products to consumers in the construction sector.
- The decline in shipments of cold-rolled products in Q4 2012 compared to Q3 2012 by 3.7% stemmed from the seasonal decline of the construction sector and, consequentially, a lower number of orders from processing plants which produce galvanized steel products.
- The increase in shipments of galvanized steel and colour-coated products in 2012 by 33% and 24% y-o-y, respectively, is related to the deficit of such products on the domestic markets and the recovery of the construction sector in Russia.
- The average sale price for 2012 declined by 10% in comparison to 2011 and amounted to USD 678 per tonne. The rate of price decline slowed in Q4 2012 compared to Q3 2012.
- The higher average price on the domestic market and growth in the share of sales to the domestic market in 2012 helped mitigate the negative impact of the rapid decline in prices on export markets.

MMK-Metiz

Production, thousand tonnes						
Products	FY 2012	FY 2011	%	Q4 2012	Q3 2012	%
Finished steel products, incl.:	493	465	6.2%	114	129	-11.7%
<i>Products from MMK steel</i>	486	458	6.1%	112	126	-10.9%

- Production of finished steel products at MMK-Metiz in 2012 grew by 6.2% y-o-y to reach 493 thousand tonnes. This growth is attributable to the general recovery of the sectors which are the main consumers of MMK-Metiz's products (the construction industry and metallurgy).
- Production of finished steel products at MMK-Metiz in Q4 2012 amounted to 114 thousand tonnes. The decline in production compared to the previous quarter was due to the season slowing of business activity on the domestic market.

MMK Metalurji

Production, thousand tonnes						
Products	FY 2012	FY 2011	%	Q4 2012	Q3 2012	%
Crude steel	790	471	67.8%	38	170	-77.6%
Finished products of MMK Metalurji, incl.:	900	505	78.2%	152	211	-27.9%
Flat hot-rolled products	302	187	61.6%	9	49	-81.6%
HVA products, incl.:	599	315	90.3%	143	161	-11.5%
<i>Galvanized steel</i>	274	192	42.7%	57	60	-4.8%
<i>Colour-coated steel</i>	324	123	163.9%	86	101	-15.4%

- Steel smelting in 2012 totalled 790 thousand tonnes, which is 68% more than in 2011.
- Steel smelting in Q4 2012 totalled 38 thousand tonnes, which is 78% less than in the previous quarter. This decline was due to the halt in November of steel smelting and hot-rolling production.

- The decision to put the furnace and hot-rolling line on halt was made with due consideration of the current market situation, which does not allow for the profitable production and sales of hot-rolled products. The halt of the hot-rolling line led to a significant decline in the production and shipment of hot-rolled products in Q4 2012 compared to Q3 2012.
- Capacity utilization for the production of galvanized and colour-coated steel remains high. The insignificant decline in the production of these types of products in Q4 2012 compared to Q3 2012 was due to the seasonal decline in demand from the construction industry.

Mining Segment

Coal

Belon

Production, thousand tonnes						
Products	FY 2012	FY 2011	%	Q4 2012	Q3 2012	%
Coking coal	5,439	5,225	4,1%	1,311	1,610	-18,6%
<i>Mined</i>	3,957	4,160	-4,9%	946	1,258	-24,8%
<i>Purchased</i>	1,482	1,065	39,2%	365	352	3,8%
Coking coal concentrate	3,325	3,216	3,4%	803	985	-18,5%

- The minor decline in coking coal production (down 5%) for 2012 compared to 2011 was a result of large-scale mine maintenance work carried out in Q1, Q2 and Q4 2012.
- The high utilization of capacities for coal enrichment and coal concentrate production was made possible by the acquisition of additional volumes of coking coal from third parties.
- Production coking coal concentrate in 2012 amounted to 3,325 tonnes, which represents a y-o-y increase of 3.4%.

Iron Ore

Production, thousand tonnes						
Products	FY 2012	FY 2011	%	Q4 2012	Q3 2012	%
Iron ore (consumed at MMK), incl.:	4,114	4,824	-14.7%	938	1,021	-8.1%
MMK iron ore base at Bakal	355	832	-57.3%	0	91	-
MMK iron ore base in Magnitogorsk	1,793	1,976	-9.3%	490	378	29.6%
Slag processing	2,006	2,017	-0.5%	487	553	-11.9%

- Captive iron ore consumption in 2012 decreased 15% y-o-y and amounted to 4,114 thousand tonnes.
- This decrease stems from the sale of the Bakal mine in August 2012 and the subsequent exclusion of this supplier from the tally of captive iron ore consumption.
- Output from slag processing in 2012 remained at the same level of the previous year and amounted to 2,006 thousand tonnes. The 12% decrease in production in Q4 2012 compared to Q3 2012 was largely related to difficult weather conditions experienced during the quarter.

Key investment projects of MMK Group

Mill 2000

The launch in July 2012 of the second stage of MMK's new cold-rolling complex (continuous hot-galvanizing unit, annealing/hot-galvanizing unit and coil inspection line) marked the conclusion of construction of the Mill 2000 complex.

At present the mill is beginning to produce new types of products (cold-rolled and galvanized), which is already having an impact in terms of larger production volume and higher share of HVA products in MMK's portfolio.

Work is also underway on the launch of production of rolled products with grade “C” surface quality, which would allow MMK to supply automotive manufacturers with steel for outer body panels.

In parallel, negotiations are being conducted on the acceptance of rolled products and commercial delivery conditions with enterprises with companies working in the automotive sector and home appliance manufacturers. Talks have already been held with Volkswagen, Renault, Ford, GM, Hyundai, Nissan, Faurecia, LG, Samsung, Bosch, Beko and Vestel.

Outlook

Continued growth in consumption of metal products is expected on the domestic market in 2013. This growth along with the production capacities for high-quality cold-rolled and galvanized products launched in 2012 allow MMK to anticipate a higher volume of shipments of finished steel products in 2013 than in the previous year.

The publication of consolidated results under IFRS for MMK Group for Q4 and FY 2012 is scheduled for early-April 2013.

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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 2012 the MMK Group produced 13 mln tonnes of crude steel and 11.9 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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