

26 July 2013

MMK Group¹ Trading Update for Q2 and H1 2013

MMK Group operational highlights

Production, thousand tonnes						
Products	Q2 2013	Q1 2013	%	H1 2013	H1 2012	%
MMK Group crude steel	3,079	3,075	0.1%	6,154	6,711	-8.3%
MMK crude steel	3,079	3,075	0.1%	6,154	6,129	0.4%
MMK Metalurji crude steel	0	0	-	0	582	-
MMK Group steel products	2,843	2,844	-0.0%	5,686	6,019	-5.5%
MMK steel products	2,757	2,744	0.5%	5,501	5,542	-0.7%
MMK-Metiz steel products ²	146	134	9.1%	280	251	11.6%
MMK Metalurji steel products ²	168	178	-6.0%	346	538	-35.7%
<i>MMK Group HVA products</i>	1,382	1,355	2.0%	2,738	2,392	14.5%
<i>MMK Group HVA products share</i>	49%	48%		48%	40%	
Belon coal concentrate	829	669	23.9%	1,498	1,537	-2.5%
Iron ore	888	871	2.0%	1,759	2,155	-18.4%

- MMK Group crude steel output in Q2 2013 totalled 3,079 thousand tonnes (0.1% higher q-o-q).
- MMK Group finished steel products output in Q2 2013 (excluding intra-group sales) totalled 2,843 thousand tonnes (unchanged from Q1 2013).
- MMK finished steel products output in Q2 2013 totalled 2,757 thousand tonnes (0.5% higher q-o-q).
- MMK-Metiz finished steel products output in Q2 2013 totalled 146 thousand tonnes (9.1% higher q-o-q).
- MMK-Metalurji finished steel products output in Q2 2013 totalled 168 thousand tonnes (down 6.0% q-o-q).
- MMK Group High-Value-Added (HVA) steel products output in Q2 2013 increased 2.0% q-o-q to 1,382 thousand tonnes. HVA production accounted for approximately 49% of total output in Q2 2013.
- Coking coal concentrate output in Q2 2013 amounted to 829 thousand tonnes (23.9% higher q-o-q).
- In-house consumption of iron ore produced by the Group in Q2 2013 amounted to 888 thousand tonnes (2.0% higher q-o-q).

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	Q2 2013	Q1 2013	%	H1 2013	H1 2012	%
Cast iron	2,466	2,426	1.6%	4,892	5 037	-4.1%
Crude steel	3,079	3,075	0.1%	6,154	6 129	0.4%
Finished products output, of which:	2,757	2,744	0.5%	5,501	5,542	-0.7%
Slabs and billets	9	0,1	-	9	46	-80.4%
Long products	461	455	1.3%	915	852	7.4%
Flat hot-rolled products	1,204	1,231	-2.2%	2,437	2,797	-12.9%
High-Value-Added (HVA) products, of which:	1,084	1,058	2.5%	2,143	1,847	16.0%
Thick plate (mill 5000)	244	245	-0.4%	490	444	10.4%
Flat cold-rolled products	363	374	-2.9%	738	620	19.0%
Downstream products, of which:	476	439	8.4%	915	783	16.9%
<i>Tin plate</i>	41	34	20.6%	75	70	7.1%
<i>Galvanised steel</i>	248	216	14.8%	465	303	53.5%
<i>Colour-coated steel</i>	102	97	5.2%	199	158	25.9%
<i>Band</i>	28	39	-28.2%	67	67	0.0%
<i>Formed section</i>	37	31	19.4%	68	137	-50.4%
<i>Pipes</i>	20	22	-9.1%	42	47	-10.6%
Shipments by market:						
<i>Domestic market*</i>	2,398	2,202	8.9%	4,601	4,195	9.7%
<i>Export</i>	359	542	-33.8%	901	1,347	-3.1%
Average prices, USD						
	Q2 2013	Q1 2013	%	H1 2013	H1 2012	%
Average price per tonne:	649	657	-1.2%	653	700	-6.7%
Long products	591	614	-3.7%	602	636	-5.3%
Flat hot-rolled products	544	550	-1.1%	547	595	-8.1%
High-Value-Added (HVA) products, of which:	790	799	-1.1%	795	895	-11.2%
Thick plate (mill 5000)	843	885	-4.7%	864	927	-6.8%
Flat cold-rolled products	597	615	-2.9%	606	719	-15.7%
Downstream products, of which:	910	907	0.3%	909	1,016	-10.5%
<i>Tin plate</i>	1,038	1,067	-2.7%	1,053	1,105	-4.7%
<i>Galvanised steel</i>	833	856	-2.7%	844	1,000	-15.6%
<i>Colour-coated steel</i>	1,151	1,106	4.1%	1,130	1,245	-9.2%
<i>Band</i>	717	653	9.8%	678	825	-17.8%
<i>Formed section</i>	873	895	-2.5%	885	925	-4.3%
<i>Pipes</i>	713	748	-4.7%	730	758	-3.7%
Average price per tonne, of which:	649	657	-1.2%	653	700	-6.7%
<i>Domestic sales*</i>	672	699	-3.9%	685	758	-9.6%
<i>Export</i>	498	483	3.1%	487	521	-6.5%

*- includes CIS sales

- Finished steel products output in Q2 2013 amounted to 2,757 tonnes, slightly higher than in Q1 2013.
- In Q2 2013 shipments of MMK's finished products to the priority domestic market reached record levels of 2,398 thousand tonnes. Domestic sales grew by 8.9% q-o-q, and accounted for almost 87% of total shipments during the quarter.
- The increase in domestic shipments in Q2 2013 was driven by continued growth in production and sales volumes for HVA products.
- In Q2 2013 MMK continued to pursue a strategy of growing the share of HVA products in total output. As a result, output of these products grew 2.5% q-o-q, due primarily to an increase in output of galvanised steel, colour-coated steel and tin plate. The high output of HVA products in Q2 2013 was also driven by the operation of the Mill 5000 at close to maximum production.
- In H1 2013 output of HVA products grew 16% on H1 2012.

- Shipments of long products in Q2 2013 totalled 461 thousand tonnes, an increase of 1.3% q-o-q. Sales of long products in H1 2013 rose by 7.4% on H1 2012, driven by recovery in demand for steel from the construction sector.
- The increase in sales of long products in Q2 2013 was also driven by a 9.1% increase in production volumes at MMK-Metiz, which uses MMK long products as feedstock.
- Sales of hot-rolled products in Q2 2013 fell by 2.2% q-o-q. This was due to an increase in output of HVA products by 2.5% during the period.
- Mill 5000 output in Q2 2013 remained at a high level. Output of thick plate on this equipment in Q2 2013 totalled 244 thousand tonnes.
- In H1 2013 sales of thick plate from Mill 5000 grew by 10.4% on H1 2012, driven by an increase in demand from pipe companies.
- Production and sales volumes for cold-rolled products in Q2 2013 fell by 2.9% q-o-q. This decrease was due to growth in production volumes of downstream products (galvanised steel, colour-coated steel, etc.), and also a slight decrease in demand from a number of clients.
- Sales volumes of galvanised and colour-coated steel in Q2 2013 grew by 14.8% and 5.2% q-o-q, respectively, due to the recovery of demand in the construction sector.
- Sales volumes of galvanised and colour-coated steel in H1 2013 grew by 53.5% and 25.9% respectively on H1 2012, due to the commissioning in mid-2012 of the Mill 2000 cold rolling complex and an increase in MMK's capacities for these types of products.
- The average sales price on finished steel products for Q2 2013 fell by 1.2% q-o-q to USD 649 per tonne.

MMK-Metiz

Production, thousand tonnes						
Products	Q2 2013	Q1 2013	%	H1 2013	H1 2012	%
Finished steel products, of which:	146	134	9.1%	280	251	11.6%
<i>Products from MMK steel</i>	145	133	9.1%	278	249	11.6%

- Production of finished steel products at MMK-Metiz in Q2 2013 grew by 9.1% q-o-q and reached 146 thousand tonnes, due to a seasonal increase in demand from the domestic construction sector and as traders restocked inventory.
- Production and sales of finished steel products at MMZ-Metiz in H1 2013 grew by 11.6% on H1 2012 due to the recovery in the construction sector.

MMK Metalurji

Production, thousand tonnes						
Products	Q2 2013	Q1 2013	%	H1 2013	H1 2012	%
Steel	0	0	-	0	582	-
MMK Metalurji finished products, of which:	168	178	-6.0%	346	538	-35.7%
Flat cold-rolled products	15	16	-0.9%	31	244	-87.2%
HVA products, of which:	152	163	-6.5%	315	294	7.1%
<i>Galvanised steel</i>	73	76	-5.0%	149	157	-5.1%
<i>Colour-coated steel</i>	80	86	-7.8%	166	137	21.0%
MMK Metalurji finished output from MMK steel	83	79	4.6%	163	63	159.3%

- Output of HVA products at MMK's Turkish production facilities in H1 2013 grew by 7.1% on H1 2012 to 315 thousand tonnes.
- The slight fall in production volumes of finished steel products in Q2 2013 compared to the previous quarter was due to annual repairs of the galvanised production line, and also to the accumulation of shiploads in port prior to their shipment to consumers.

- Sales of galvanised steel in H1 2013 fell by 5.1% on H1 2012 due to a material increase in sales of colour-coated steel in the period.
- Sales of colour-coated steel in H1 2012 grew by 21% on H1 2012 to 166 thousand tonnes.

Mining segment

Coal

Belon

Production, thousand tonnes						
Products	Q2 2013	Q1 2013	%	H1 2013	H1 2012	%
Coking coal	1,389	1,121	23.9%	2,511	2,518	-0.3%
	<i>Mined</i>	855	24.3%	1,918	1,752	9.5%
	<i>Purchased</i>	266	22.6%	593	766	-22.6%
Coking coal concentrate	829	669	23.9%	1,498	1,537	-2.5%

- Mined volumes of coking coal grew substantially by 24.3% in Q2 2013 q-o-q due to the completion of scheduled maintenance works during Q1 2013.
- Production of coking coal concentrate in Q2 2013 was 829 thousand tonnes, up 23.9% q-o-q.

Iron Ore

Production, thousand tonnes						
Products	Q2 2013	Q1 2013	%	H1 2013	H1 2012	%
Iron ore (consumed at MMK), incl.:	888	871	2.0%	1,759	2,155	-18.4%
MMK iron ore base at Bakal	0	0	-	0	264	-
MMK iron ore base in Magnitogorsk	383	433	-11.6%	816	925	-11.8%
Slag processing	505	438	15.4%	943	966	-2.4%

- In-house consumption of iron ore produced by the Group in Q2 2013 grew by 2.0% q-o-q to 888 thousand tonnes.
- Slag processing volumes in Q2 2013 grew by 15.4% q-o-q to 505 thousand tonnes. Slag processing in Q2 2013 grew q-o-q, primarily due to the end of the winter period.

Outlook

In Q3 2013 the Company plans to maintain the current level of capacity utilisation, subject to continued business activity of consumers at present levels.

The presentation of the MMK Group's consolidated IFRS financial results for Q2 2013 is scheduled for the end of August 2013

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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 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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