



Magnitogorsk Iron and Steel Works

26 April 2012

**MMK Group<sup>1</sup> trading update for Q1 2012**

**MMK Group operating highlights**

Production, thousand tons						
Production	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
<b>MMK Group crude steel</b>	3,417	3,109	10%	3,417	3,092	11%
MMK steel	3,117	2,826	10%	3,117	3,092	1%
MMK Metalurji steel	300	283	6%	300	-	
<b>MMK Group finished steel products</b>	3,021	2,859	6%	3,021	2,737	10%
MMK finished steel products	2,766	2,623	5%	2,766	2,707	2%
MMK-Metiz finished steel products <sup>2</sup>	110	103	7%	110	123	-11%
MMK-Metalurji finished steel products	253	233	9%	253	28	x9
<i>HVA products, MMK Group (volume)</i>	1,199	1,028	17%	1,199	1,080	11%
<i>HVA products, MMK Group (% of total production)</i>	40%	36%	4 pp	40%	39%	1 pp
<b>Belon coal concentrate</b>	776	882	-12%	776	766	1%
<b>Iron ore</b>	1,047	1,145	-9%	1,047	1,277	-18%

- MMK Group's total crude steel output in Q1 2012 was 3,417 thousand tons (+10% q-o-q)
- MMK Group's total steel products output in Q1 2012 was 3,021 thousand tons (+6% q-o-q)
- MMK's crude steel output in Q1 2012 was 3,117 thousand tons (+10% q-o-q)
- MMK's finished steel products output in Q1 2012 was 2,766 thousand tons (+5% q-o-q)
- MMK-Metiz's finished steel products output in Q1 2012 was 110 thousand tons (+7% q-o-q)
- MMK-Metalurji's total finished steel products output in Q1 2012 was 253 thousand tons (+9% q-o-q)
- MMK Group's total output of high value-added (HVA) products increased 17% q-o-q in Q1 2012 to 1,199 thousand tons.
- Production of coking coal concentrate in Q1 2012 was 776 thousand tons (-12% q-o-q).
- Consumption of own iron ore in Q1 2012 was 1,047 thousand tons (-9% q-o-q).

1 - MMK Group includes MMK and its subsidiaries

2 - MMK Group finished product output excludes output from MMK-Metiz produced using production from MMK.

## Steel segment

### MMK

Production, thousand tons						
Production	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
<b>Cast iron</b>	2,479	2,277	9%	2,479	2,471	0.3%
<b>Crude steel</b>	3,117	2,826	10%	3,117	3,092	1%
<b>Finished products, of which:</b>	2,766	2,623	5%	2,766	2,707	2%
Slabs and billets	45	102	-56%	45	45	1%
Long products	401	372	8%	401	335	20%
Flat hot-rolled products	1,380	1,343	3%	1,380	1,396	-1%
HVA products, of which:	939	807	16%	939	931	1%
Thick plate (mill 5000)	248	171	45%	248	307	-19%
Flat cold-rolled products	316	303	4%	316	272	16%
Downstream products, of which:	374	333	13%	374	352	6%
<i>Tin plate</i>	37	29	29%	37	40	-6%
<i>Galvanised steel</i>	159	140	13%	159	144	10%
<i>Colour-coated steel</i>	65	70	-8%	65	57	14%
<i>Band</i>	30	27	11%	30	24	25%
<i>Formed section</i>	60	56	7%	60	69	-13%
<i>Pipes</i>	23	10	132%	23	18	29%
<b>Shipments by market</b>						
<i>Domestic*</i>	2,033	1,673	22%	2,033	1,898	7%
<i>Export</i>	732	950	-23%	732	809	-9%
Average prices, finished products (USD)						
	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
<b>Average price per ton:</b>						
Slabs and billets	496	483	3%	496	536	-7%
Long products	647	654	-1%	647	687	-6%
Flat hot-rolled products	599	610	-2%	599	661	-9%
HVA products, of which:	894	905	-1%	894	945	-5%
Thick plate (mill 5000)	939	888	6%	939	1,082	-13%
Flat cold-rolled products	726	761	-5%	726	743	-2%
Downstream products, of which:	1,007	1,043	-3%	1,007	982	3%
<i>Tin plate</i>	1,093	1,079	1%	1,093	1,085	1%
<i>Galvanised steel</i>	984	1,022	-4%	984	939	5%
<i>Colour-coated steel</i>	1,225	1,229	-0.3%	1,225	1,172	5%
<i>Band</i>	867	930	-7%	867	974	-11%
<i>Formed section</i>	949	934	2%	949	895	6%
<i>Pipes</i>	752	789	-5%	752	827	-9%
<b>Average price per ton, of which:</b>	705	702	0.4%	705	760	-7%
<i>Domestic*</i>	772	783	-1%	772	828	-7%
<i>Export</i>	517	558	-7%	517	601	-14%

\*including CIS

- Finished steel products output in Q1 2012 was 2,766 thousand tons (+5% q-o-q). Sales to the higher priority domestic market increased by 22%, and the share in total shipments increased by six percentage points to 73% in Q1 2012.
- Sales of HVA products in Q1 2012 grew by 16%, due to higher sales volumes to the domestic market, which traditionally requires more complex products than export markets.
- Production of finished slab in Q1 2012 declined by 56% q-o-q to 45 thousand tons.
- Output of long products in Q1 2012 grew by 8% q-o-q, due to a recovery in demand from the construction sector, and additional output from MMK-Metiz, which uses long products from MMK as a semi-finished rolled product. Shipments to MMK-Metiz in Q1 2012 accounted for 24% of the total in Q1 2012, up from 17% in Q4 2011.

- Production of flat hot-rolled products in Q1 2012 was 1,380 thousand tons, 3% higher q-o-q.
- Total production of thick plate (mill 5000) in Q1 2012 was 248 thousand tons, up 45% q-o-q. This was due to a significant increase in orders from pipe manufacturers for rolled products for large-diameter pipes. Demand for complex tube steels increased significantly, leading to the average price for plate growing faster (+6% q-o-q) than the average price for finished steel products.
- Tin plate output in Q1 2012 grew by 29% q-o-q due to a seasonal increase in domestic and CIS demand.
- Output of galvanised steel in Q1 2012 increased by 13% q-o-q, due to a recovery of business activity on the Russian market and restocking by traders ahead of the new season.
- Favourable market conditions throughout Q1 2012 led to higher margins on sales of galvanised steel compared with colour-coated steel. This led to a reduction in sales of colour-coated steel in Q1 2012 of 8% q-o-q.
- Although average export prices in Q1 2012 declined 7% q-o-q, increased sales to the domestic market - which offers a premium and where demand for crude steel is recovering at a faster pace - led to an increase in the average price of finished steel products from MMK in Q1 2012 to \$705 per ton (\$702 in Q4 2011).

### MMK-Metiz

Production, thousand tons						
Production	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
<b>Finished products, of which:</b>	110	103	7%	110	123	-11%
<i>MMK output</i>	108	100	9%	108	121	-11%

- MMK-Metiz's finished steel products output in Q1 2012 was 110 thousand tons (+7% q-o-q)
- This was due to a some revival in business activity in major consumer sectors for MMK-Metiz's products (construction and metallurgy).

### MMK Metalurji

Production, thousand tons						
Production	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
<b>Crude steel</b>	300	283	6%	300	0	n/a
<b>MMK-Metalurji finished products output, of which:</b>	253	233	9%	253	28	x9
Flat hot-rolled products	119	115	3%	119	2	x60
HVA products, of which:	135	118	14%	135	26	x5
<i>Galvanised steel</i>	76	77	-1%	76	16	x5
<i>Colour-coated steel</i>	58	40	46%	58	9	x6

- Crude steel output in Q1 2012 was 300 thousand tons, up 6% q-o-q.
- Total finished steel products output at MMK's Turkish operations in Q1 2012 was 253 thousand tons (+9% q-o-q)
- Production of colour-coated steel in Q1 2012 grew 46% q-o-q due to a seasonal revival of the construction sector.
- Output of galvanised steel in Q1 2012 declined by an insignificant 1% q-o-q, due to increased shipments of colour-coated steel.

## Mining segment

### COAL

#### Belon

Production, thousand tons						
Production	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
Coking coal	1,292	1,474	-12%	1,292	1,216	6%
<i>Mined</i>	998	1,168	-15%	998	1,033	-3%
<i>Purchased</i>	293	306	-4%	293	183	60%
<b>Coking coal concentrate</b>	776	882	-12%	776	766	1%

- The 12% reduction in mined output of coking coal in Q1 2012 q-o-q was due to scheduled replacement of walls in March 2012. Replacement of walls will continue throughout 2Q 2012.
- Production of coking coal concentrate in Q1 2012 was 776 thousand tons, down 12% q-o-q due to a general reduction in coal output in Q1 2012.
- Concentrate shipments to MMK in Q1 2012 remained at the same level as in Q4 2011.
- Output of coking coal concentrate in 2012 is expected to remain at the same level as in 2011, despite the scheduled replacement of walls.

### IRON ORE

Production, thousand tons						
Production	Q1 '12	Q4 '11	%	Q1 '12	Q1 '11	%
<b>Iron ore (used at MMK), of which:</b>	1,047	1,145	-9%	1,047	1,277	-18%
Bakal	125	137	-9%	125	346	-63%
Magnitogorsk	467	580	-19%	467	395	18%
Slag processing	455	428	6%	455	536	-15%

\* since end-Q2 2011, shipments from the Sosnovsky deposit have been included in shipments from the Magnitogorsk iron-ore base.

- Consumption of captive iron ore in Q1 2012 declined by 9% q-o-q to 1,047 thousand tons.
- MMK's consumption of iron ore from Bakal in Q1 2012 was 125 thousand tons, down 9% q-o-q, due to substitution of iron ore from Bakal by iron containing fraction from processed slag.
- Consumption of iron ore from Magnitogorsk in Q1 2012 was 467 thousand tons, down 19% q-o-q. This was due to a planned reduction in mining of higher-quality ore and lower production of concentrate from lower-quality ore from Sosnovsky.
- Slag processing volumes in Q1 2012 increased by 4% q-o-q to 443 thousand tons. Slag consumption in Q1 2012 declined by 17% y-o-y due primarily to a number of measures aimed at reducing expenditure on major raw materials, and an increase in sinter-cake quality.

### Update on MMK Group's key investment projects.

#### Mill 2000

MMK Group plans to commission the second phase of the cold-rolled products facility - the continuous hot galvanising unit, continuous annealing unit and the inspection unit - which will make it the first Russian steel-maker to launch production of high-strength cold-rolled and galvanised products. The company is continuing to finalise the details of contracts to supply mill 2000 output to carmakers.

Since the start of 2012, mill 2000 has produced about 100 thousand tons of cold-rolled steel a month. The mill is currently being used to produce galvanised and colour-coated steel at existing capacities. The high quality of the input steel will increase the competitiveness of the product.

## **Outlook**

MMK expects to increase sales of finished steel products in Q2 2012 q-o-q due to growth of the Russian economy in 2012 and a seasonal increase in domestic demand for steel.

The company expects further growth in production volumes and sales at MMK-Metalurji in Q2 2012 as the facility reaches full production capacity.

MMK will publish its consolidated IFRS financial results for Q1 2012 in June 2012.

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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 higher value added products. In 2011 the company produced 12.2 million tonnes of crude steel and 11.2 million tonnes of commercial steel products. MMK Group had sales in 2011 of USD 9.306 billion and EBITDA of USD 1.336 billion.*

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