



**MAGNITOGORSK
IRON & STEEL
WORKS**
GROUP

29 January 2015

MMK Group¹ Trading Update for Q4 and FY 2014

MMK Group:

Operational highlights

Output, thousand tonnes						
	FY 2014	FY 2013	%	Q4 2014	Q3 2014	%
MMK Group crude steel	13,031	11,941	9.1%	3,072	3,381	-9.1%
MMK crude steel	13,031	11,941	9.1%	3,072	3,381	-9.1%
MMK Metalurji crude steel	0	0	-	0	0	-
MMK Group steel products	12,158	11,060	9.9%	2,914	3,131	-6.9%
MMK steel products	11,650	10,667	9.2%	2,776	2,996	-7.3%
MMK-Metiz steel products ²	508	535	-5.1%	101	142	-28.8%
MMK Metalurji steel products ²	690	664	3.9%	172	184	-6.4%
MMK Group HVA products	5,480	5,336	2.7%	1,344	1,420	-5.4%
MMK Group HVA products share	45.1%	48.2%		46.1%	45.4%	
Belon coal concentrate	2,942	2,858	2.9%	886	672	31.8%
Iron ore	3,387	3,723	-9.0%	815	919	-11.3%

FY 2014 highlights

- MMK Group's overall crude steel output in FY 2014 totalled 13,031 thousand tonnes (+9.1% y-o-y). Overall steelmaking capacity utilization at the main Magnitogorsk site exceeded 90%. At the same time, converter production operated at 100% of capacity.
- MMK Group's overall finished steel products shipments in FY 2014 (excluding intra-group sales) amounted to 12,158 thousand tonnes (+9.9% y-o-y).
- MMK Group's HVA steel products output in FY 2014 totalled 5,480 thousand tonnes (+2.7% y-o-y). The share of HVA products in total output volume was 45.1%. Capacity utilization of key rolled production facilities (mill 5000 and mill 2000 c/r) amounted to 98-100%.
- Production of Belon coal concentrate in FY 2014 amounted to 2,942 thousand tonnes (+2.9% y-o-y).
- In-house consumption of iron ore produced by the Group in FY 2014 decreased by 9.0% y-o-y to 3,387 thousand tonnes.

Q4 2014 highlights

- MMK Group crude steel output in Q4 2014 totalled 3,072 thousand tonnes (-9.1% q-o-q). This decline was mainly due to scheduled maintenance of the blast furnace #8 and oxygen converter and seasonal factor.
- MMK Group finished steel products shipments in Q4 2014 (excluding intra-group sales) amounted to 2,914 thousand tonnes (-6.9% q-o-q).
- MMK Group HVA steel products output in Q4 2014 totalled 1,344 thousand tonnes (-5.4% q-o-q). The share of HVA products in total output volume increased to 46.1%.
- Production of Belon coal concentrate in Q4 2014 amounted to 886 thousand tonnes (+31.8% 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

Output, thousand tonnes						
	FY 2014	FY 2013	%	Q4 2014	Q3 2014	%
Cast iron	10,280	9,586	7.2%	2,476	2,629	-5.8%
Crude steel	13,031	11,941	9.1%	3,072	3,381	-9.1%
Finished products output, of which:	11,650	10,667	9.2%	2,776	2,996	-7.3%
Slabs and billets	75	9	-	4	5	-
Long products	1,827	1,814	0.7%	450	463	-2.9%
Flat hot-rolled products	5,403	4,647	16.3%	1,236	1,413	-12.5%
HVA products, of which:	4,345	4,197	3.5%	1,086	1,114	-2.5%
Thick plate (mill 5000)	924	843	9.6%	237	273	-13.2%
Flat cold-rolled products	1,441	1,509	-4.5%	360	332	8.3%
Downstream products, of which:	1,980	1,844	7.3%	489	508	-3.9%
<i>Tin plate</i>	143	140	2.4%	29	34	-12.4%
<i>Galvanised steel</i>	1,116	978	14.1%	290	290	-0.2%
<i>Colour-coated steel</i>	368	372	-1.3%	88	87	0.8%
<i>Band</i>	126	125	1.1%	32	33	-3.9%
<i>Formed section</i>	138	143	-3.5%	25	40	-38.7%
<i>Pipes</i>	88	86	3.1%	26	25	4.3%
Shipments by market:						
<i>Russia + CIS</i>	9,588	8,993	6.6%	2,337	2,510	-6.9%
<i>Export</i>	2,063	1,674	23.2%	439	486	-9.5%
Average prices, USD						
	FY 2014	FY 2013	%	Q4 2014	Q3 2014	%
Average price per tonne:	573	633	-9.4%	516	640	-19.4%
Long products	521	588	-11.4%	466	585	-20.3%
Flat hot-rolled products	499	536	-6.7%	453	547	-17.2%
HVA products, of which:	691	760	-9.2%	608	780	-22.1%
Thick plate (mill 5000)	719	792	-9.2%	684	830	-17.6%
Flat cold-rolled products	538	589	-8.7%	475	587	-19.1%
Downstream products, of which:	788	886	-11.0%	669	880	-24.0%
<i>Tin plate</i>	873	1,024	-14.8%	724	951	-23.9%
<i>Galvanised steel</i>	751	827	-9.2%	633	855	-26.0%
<i>Colour-coated steel</i>	1,013	1,121	-9.6%	865	1,158	-25.3%
<i>Band</i>	581	662	-12.3%	527	623	-15.4%
<i>Formed section</i>	710	850	-16.4%	662	755	-12.3%
<i>Pipes</i>	607	701	-13.4%	522	651	-19.8%

FY 2014 highlights

- Crude steel output in FY 2014 increased by 9.1% y-o-y and totalled 13,031 thousand tonnes.
- In FY 2014, shipments of finished products totalled 11,650 thousand tonnes, up 9.2% y-o-y. This growth was driven by increased sales volumes for hot-rolled products, thick plate and galvanised rolled products.
- A favourable pricing environment on commodities markets and the decline in the ruble during 2014 supported growth in MMK's shipment volumes on the Russia+CIS and export markets by 595 thousand tonnes and 389 thousand tonnes, respectively. At the same time the share of the domestic market decreased slightly, to 82.3%.
- Export sales of finished products in FY 2014 amounted to 2,063 thousand tonnes, up 23.2% y-o-y.
- In FY 2014, capacity utilization of long steel production facilities remained 99%, driving shipments of 1,827 thousand tonnes of long products to customers.
- Due to significant growth in domestic and export sales in FY 2014, shipments of hot-rolled products increased by 16.3% y-o-y to 5,403 thousand tonnes.
- Sales of HVA products in FY 2014 were supported by higher output of thick plate (mill 5000) and continued growth in galvanised steel output.

- As a result, sales of HVA products in FY 2014 increased by 3.5% y-o-y and totalled 4,345 thousand tonnes. The share of HVA products in total shipments volumes in FY 2014 slightly decreased to 37.3%.
- Growth in orders for thick plate for production of large diameter pipes in 2014 resulted in a significant increase in mill 5000 production volumes. Sales of thick plate in FY 2014 increased by 9.6% y-o-y to 924 thousand tonnes. Key customers included pipemakers supplying the Power of Siberia and Southern Corridor projects.
- Strong demand for construction products and a continued deficit of galvanised steel products on the domestic market supported an increase in sales of galvanised steel by 14.1% (above average sales growth rates) to 1,116 thousand tonnes.
- The average dollar sales price in FY 2014 decreased by 9.4% y-o-y. Key factors included a traditional lag in the recovery of Russian market sales prices to parity with export prices (due to the decline of the ruble) and continued negative pressure on global steel prices as a result of a global surplus of production facilities. At the same time, ruble prices on the Russian market in 2014 increased by 8.6% y-o-y.

Q4 2014 highlights

- Crude steel output in Q4 2014 decreased 309 thousand tonnes or 9.1% q-o-q. Out of this 9% approximately 6% related to a scheduled maintenance of BF #8 (December 2015) and oxygen converter (November-December 2015). Seasonal slowdown of the demand resulted in another 3% of the decline.
- In Q4 2014, shipments of finished products decreased by 7.3% q-o-q.
- Long products sales in Q4 2014 declined by 13 thousand tonnes, primarily due to a seasonal reduction in shipments to MMK-Metiz.
- In Q4 2014 sales of cold-rolled products increased by 28 thousand tonnes or 8.3% q-o-q. This was primarily driven by an increase in shipments to customers in the pipemaking and automotive industries by 15.9 thousand tonnes and 8.6 thousand tonnes, respectively.
- The decline in sales of thick plate from mill 5000 in Q4 2014 by 13.2% q-o-q or 36 thousand tonnes was due to changes in product mix in customer orders, resulting in a larger share of better quality, but less productive product mix.
- In Q4 2014, sales of HVA products declined at a slower rate than overall volumes (-3.9% versus - 7.3%), due to higher demand for coated products from traders, who were replenishing long-term stocks in anticipation of domestic prices growth.

MMK-Metiz

Output, thousand tonnes						
	FY 2014	FY 2013	%	Q4 2014	Q3 2014	%
Finished products output, of which:	508	535	-5.1%	101	142	-28.8%
<i>Products from MMK steel</i>	501	527	-4.8%	101	141	-28.4%

- Production of finished steel products at MMK-Metiz in FY 2014 reached 508 thousand tonnes, down 5.1% y-o-y. This decrease was primarily due to an overall decline in demand for rail fastenings during the year.
- Sales volumes in Q4 2014 decreased by 28.8% q-o-q due to slowdown in business activity on the domestic market in winter.

MMK Metalurji

Output, thousand tonnes						
	FY 2014	FY 2013	%	Q4 2014	Q3 2014	%
MMK Metalurji finished products, of which:	690	664	3.9%	172	184	-6.4%
Flat hot-rolled products	64	60	5.8%	15	21	-27.1%

HVA products, of which:	627	604	3.7%	157	164	-3.7%
<i>Galvanised steel</i>	381	294	29.6%	89	96	-7.4%
<i>Colour-coated steel</i>	246	311	-21.0%	68	67	1.5%
MMK Metalurji finished output from MMK steel	189	279	-32.4%	34	50	-31.5%

- Overall sales volumes in FY 2014 increased by 3.9% y-o-y to 690 thousand tonnes.
- The increase in finished products sales in FY 2014 was due to strong demand for quality galvanised steel on the domestic market, as well as MMK Metalurji strengthening positions among local producers of the product.
- The decline in output from HRC produced by MMK in FY 2014 (-32.4% y-o-y) was due to a market environment in which purchases of hot-rolled products on the Turkish market were more cost-effective.
- Sales of finished products in Q4 2014 declined by 6.4% q-o-q due to seasonal factor.

Mining segment

Coal

Belon

Output, thousand tonnes						
	FY 2014	FY 2013	%	Q4 2014	Q3 2014	%
Coking coal mining	3,658	3,468	5.5%	1,071	820	30.6%
Coking coal processing	5,095	4,955	2.8%	1,510	1,213	24.5%
<i>Mined</i>	3,608	3,635	-0.7%	1,126	834	35.0%
<i>Purchased</i>	1,487	1,320	12.7%	384	379	1.3%
Coking coal concentrate	2,942	2,858	2.9%	886	672	31.8%

- Coking concentrate processing volumes in FY 2014 increased by 2.9% y-o-y or by 84 thousand tonnes.
- In Q4 2014, stable operation of the new coalface commissioned at the Kostromovskaya mine at the end of Q3 2014 resulted in an increase in coal mining during the quarter to 1,071 thousand tonnes (+251 thousand tonnes or +30.6% as compared to Q3 2014).

Outlook

Ruble sales prices for metal products in Russia have increased since December 2014. It is expected that domestic prices will continue to grow in Q1 2015 to catch up with export parity price.

In January 2015, notwithstanding a seasonal slowdown in business activity on the domestic market, capacity utilization rate at MMK remains on a high level. Among other factors, influencing Q1 results, we may highlight launch of BF#8 in March 2015 after scheduled maintenance.

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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 2014, MMK Group produced 13.0 million tonnes of crude steel and 12.2 million tonnes of commercial steel products. MMK Group had sales in 2013 of USD 8,190 million and EBITDA of USD 1,223 million

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