



**MAGNITOGORSK
IRON & STEEL
WORKS**
GROUP

29 April 2014

MMK Group¹ Trading Update for Q1 2014

MMK Group:

Operational highlights

Output, thousand tonnes						
	Q1 2014	Q4 2013	%	Q1 2014	Q1 2013	%
MMK Group crude steel	3,188	2,913	9%	3,188	3,075	4%
MMK crude steel	3,188	2,913	9%	3,188	3,075	4%
MMK Metalurji crude steel	0	0	-	0	0	-
MMK Group steel products	2,919	2,723	7%	2,919	2,844	3%
MMK steel products	2,822	2,599	9%	2,822	2,744	3%
MMK-Metiz steel products ²	119	116	3%	119	134	-11%
MMK Metalurji steel products ²	149	175	-15%	149	178	-16%
<i>MMK Group HVA products</i>	<i>1,281</i>	<i>1,318</i>	<i>-3%</i>	<i>1,281</i>	<i>1,355</i>	<i>-5%</i>
<i>MMK Group HVA products share</i>	<i>44%</i>	<i>48%</i>		<i>44%</i>	<i>48%</i>	
Belon coal concentrate	712	677	5%	712	669	6%
Iron ore	805	966	-17%	805	871	-8%

- MMK Group crude steel output in Q1 2014 totalled 3,188 thousand tonnes (+9.4% q-o-q).
- MMK Group finished steel products shipments in Q1 2014 (excluding intra-group sales) totalled 2,919 thousand tonnes (+7.2% q-o-q or +2.6% y-o-y).
- MMK Group High-Value-Added (HVA) steel products output in Q1 2014 decreased by 2.8% q-o-q to 1,281 thousand tonnes. The share of HVA products in total output volume was 44%.
- Production of Belon coal concentrate in Q1 2014 grew by 5.2 q-o-q to 712 thousand tonnes.

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						
	Q1 2014	Q4 2013	%	Q1 2014	Q1 2013	%
Cast iron	2,604	2,364	10%	2,604	2,426	7%
Crude steel	3,188	2,913	9%	3,188	3,075	4%
Finished products output, of which:	2,822	2,599	9%	2,822	2,744	3%
Slabs and billets	7	0	-	7	0	-
Long products	449	428	5%	449	455	-1%
Flat hot-rolled products	1,340	1,127	19%	1,340	1,231	9%
High-Value-Added (HVA) products, of which:	1,025	1,043	-2%	1,025	1,058	-3%
Thick plate (mill 5000)	197	183	8%	197	245	-20%
Flat cold-rolled products	366	411	-11%	366	374	-2%
Downstream products, of which:	462	449	3%	462	439	5%
<i>Tin plate</i>	37	30	22%	37	34	9%
<i>Galvanised steel</i>	239	253	-6%	239	216	11%
<i>Colour-coated steel</i>	96	76	26%	96	97	-2%
<i>Band</i>	37	32	18%	37	39	-4%
<i>Formed section</i>	38	39	-1%	38	31	24%
<i>Pipes</i>	15	19	-19%	15	22	-29%
Shipments by market:						
<i>Russia + CIS</i>	2,228	2,140	4%	2,228	2,202	1%
<i>Export</i>	593	459	29%	593	542	10%
Average prices, USD						
	Q1 2014	Q4 2013	%	Q1 2014	Q1 2013	%
Average price per tonne:	565	610	-7%	565	657	-14%
Long products	508	570	-11%	508	614	-17%
Flat hot-rolled products	499	526	-5%	499	550	-9%
High-Value-Added (HVA) products, of which:	677	717	-6%	677	799	-15%
Thick plate (mill 5000)	661	685	-4%	661	885	-25%
Flat cold-rolled products	545	581	-6%	545	615	-11%
Downstream products, of which:	789	854	-8%	789	907	-13%
<i>Tin plate</i>	933	978	-5%	933	1,067	-13%
<i>Galvanised steel</i>	741	814	-9%	741	856	-13%
<i>Colour-coated steel</i>	979	1,092	-10%	979	1,106	-12%
<i>Band</i>	589	646	-9%	589	653	-10%
<i>Formed section</i>	735	813	-10%	735	895	-18%
<i>Pipes</i>	620	677	-8%	620	748	-17%
Average price per tonne, of which:	565	610	-7%	565	610	-7%
<i>Russia + CIS</i>	589	637	-8%	589	699	-16%
<i>Export</i>	474	482	-2%	474	483	-2%

- Cast iron output in Q1 2014 increased by 240 thousand tonnes or 10.2% q-o-q due to commissioning of blast furnace #6 in December 2013 following scheduled maintenance work.
- In Q1 2014 shipments of finished products amounted to 2,822 thousand tonnes, 8.6% higher than in Q4 2013, driven by an increase in export sales by 29.2% in Q1 2014 and an increase in sales to the domestic market by 4.1%.
- In Q1 2014 shipments of MMK's finished products increased by 2.8% y-o-y.
- In Q1 2014, despite a seasonal decline in business activity on the domestic market, MMK increased shipments of finished products to Russia and other CIS countries by 88 thousand tonnes or 4.1%.
- The rouble's decline against the US dollar, as well as a favourable pricing environment during Q1 2014, led to a significant increase in export sales of finished products. In Q1 2014 shipments of finished products to export markets amounted to 593 thousand tonnes, up 134 thousand tonnes or 29.2% q-o-q.
- Export sales growth in Q1 2014 resulted in some decline in the share of domestic sales in the total volume of shipments to 79.0%.

- The share of HVA products in total output volume amounted to 36.3% in Q1 2014, compared to 40.1% in Q4 2013. This was due to faster growth of export sales, as well as to a decline in cold-rolled products sales on the back of a slowdown in the automotive industry in early 2014.
- Shipments of long products in Q1 2014 totalled 449 thousand tonnes (+4.9% q-o-q), driven by the start of stock replenishment by traders prior to the start of the construction season, as well as higher sales of MMK-Metiz products.
- The increase in sales of hot-rolled products in Q1 2014 by 18.9% q-o-q was primarily due to significant growth of exports.
- Mill 5000 output in Q1 2014 increased by 14 thousand tonnes q-o-q (+7.7%) to 197 thousand tonnes, primarily due to an increase in shipments for pipe manufacturers.
- Shipments of galvanised and colour-coated steel in Q1 2014 declined by 5.5% q-o-q, due to the increase of colour-coated steel shipments for the same period by 20 thousand tonnes or 26.3% driven by stock replenishment by traders.
- The average sales price in Q1 2014 decreased by 7% q-o-q. Key factors included higher export sales (due to an increase in the share of hot-rolled products with lower average price), as well as seasonal factors exerting pressure on the domestic market. However, the rouble's decline against the US dollar and relatively stable demand on the Russian market allowed MMK to announce an increase in rouble-denominated prices several times during Q1 2014.

MMK-Metiz

Output, thousand tonnes						
	Q1 2014	Q4 2013	%	Q1 2014	Q1 2013	%
Finished products output, of which:	119	116	3%	119	134	-11%
<i>Products from MMK steel</i>	117	114	3%	117	133	-12%

- Production of finished steel products at MMK-Metiz in Q1 2014 reached 119 thousand tonnes (+2.6% q-o-q), due to the beginning of a seasonal recovery in demand for construction products.
- The seasonal increase in demand for MMK-Metiz products is continuing, and is likely to support higher capacity utilisation in Q2 2014.

MMK Metalurji

Output, thousand tonnes						
	Q1 2014	Q4 2013	%	Q1 2014	Q1 2013	%
Steel	0	0	-	0	0	-
MMK Metalurji finished products, of which:	149	175	-15%	149	178	-16%
Flat hot-rolled products	12	16	-24%	12	16	-25%
HVA products, of which:	137	159	-14%	137	163	-16%
<i>Galvanised steel</i>	92	80	15%	92	76	21%
<i>Colour-coated steel</i>	45	79	-43%	45	86	-48%
MMK Metalurji finished output from MMK steel	54	53	2%	54	79	-32%

- In Q1 2014 sales of finished products decreased by 14.9% q-o-q to 149 thousand tonnes.
- The fall in sales volumes was due to a temporary decline in steel products purchases by traders, waiting for the end of election, as well as significant fluctuations in the local currency exchange rate.
- Political stabilisation and the beginning of construction season are likely to support a recovery in sales volumes, which are expected to reach planned levels by the end of the year.

Mining segment

COAL

Belon

Output, thousand tonnes						
	Q1 2014	Q4 2013	%	Q1 2014	Q1 2013	%
Coking coal mining	889	858	4%	889	731	22%
Coking coal processing	1,167	1,267	-8%	1,167	1,121	4%
Mined	807	897	-10%	807	855	-6%
Purchased	360	370	-3%	360	266	35%
Coking coal concentrate	712	677	5%	712	669	6%

- Following the end of maintenance works in late 2013 Belon increased coking coal mining in Q1 2014 by 3.6% q-o-q.
- Higher volumes of coking coal mined and an improvement in coal quality allowed to increase stocks of raw coal (used to support processing facilities capacity utilisation rate during scheduled maintenance at mines).
- Growth of the coal concentrate output ratio helped to produce 712 thousand tonnes of coking coal concentrate in Q1 2014, 5.2% higher q-o-q.

IRON ORE

Output, thousand tonnes						
	Q1 2014	Q4 2013	%	Q1 2014	Q1 2013	%
Iron ore (consumed at MMK), incl.:	805	966	-17%	805	871	-8%
MMK iron ore base in Magnitogorsk	404	488	-17%	404	433	-7%
Slag processing	401	478	-16%	401	438	-8%

- In-house consumption of iron ore produced by the Group in Q1 2014 decreased by 16.7% q-o-q to 805 thousand tonnes.
- Consumption of iron ore mined at the Magnitogorsk site in Q1 2014 amounted to 404 thousand tonnes, a decrease of 17.2% on Q4 2013. This was due to a planned reduction in rich ore production as well as a seasonal decrease of ore production during the winter period.
- Slag processing volumes in Q1 2014 fell by 16.1% q-o-q to 401 thousand tonnes. This decrease was mainly due to the seasonal decrease in volumes of slurry concentrate from slag heaps.

Outlook

The seasonal recovery of demand on the domestic market in Q2 2014 is likely to support production and sales volumes of finished steel goods at a higher level compared to the previous quarter.

The presentation of the MMK Group's consolidated IFRS financial results for Q1 2014 is scheduled for June 2014.

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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 2013 MMK Group produced 11.9 million tonnes of crude steel and 11 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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