

MMK Group Trading Update for Q3 and 9M 2015

MMK Group: Operational highlights

(thousand tonnes)

	Q3 2015	Q2 2015	%	9M 2015	9M 2014	%
MMK Group crude steel	3,141	2,969	5.8%	9,338	9,959	-6.2%
MMK Group steel products	2,890	2,683	7.7%	8,519	9,278	-8.2%
MMK steel products	2,894	2,677	8.1%	8,415	8,874	-5.2%
MMK-Metiz steel products	117	100	17.3%	320	406	-21.2%
MMK Metalurji steel products	198	210	-5.6%	582	518	12.4%
MMK Group HVA products	1,350	1,295	4.3%	4,010	4,135	-3.0%
MMK Group HVA products share	46.7%	48.3%		47.1%	44.6%	
Belon coal concentrate	730	701	4.1%	2,025	2,055	-1.5%
Iron ore	823	800	2.9%	2,386	2,572	-7.2%

Q3 2015 highlights as compared to Q2 2015

- ✓ MMK Group's overall crude steel output in Q3 2015 totalled 3,141 thousand tonnes (+5.8% q-o-q). Overall steelmaking capacity utilisation at the main Magnitogorsk site in Q3 2015 exceeded 83%. Converter production was at 100% capacity, and capacity utilisation of electric arc furnaces increased to 28%.
- ✓ MMK Group's overall finished steel product shipments in Q3 2015 (excluding intra-group sales) amounted to 2,894 thousand tonnes (+8.1% q-o-q).
- ✓ MMK Group's HVA steel product output in Q3 2015 increased by 55 thousand tonnes q-o-q to 1,350 thousand tonnes. HVA products' share in the total output volume decreased by 1.6 p.p. q-o-q to 46.7%. Capacity utilisation in key rolled production facilities (mill 5000 and mill 2000 c/r) stood at nearly 100%.
- ✓ Production of Belon coal concentrate in Q3 2015 stood at 730 thousand tonnes (+4.1% q-o-q).

9M 2015 highlights as compared to 9M 2014

- ✓ MMK Group's overall crude steel output in 9M 2015 totalled 9,338 thousand tonnes (-6.2% y-o-y). Overall steelmaking capacity utilisation at the main Magnitogorsk site in 9M 2015 was around 86%.
- ✓ MMK Group's overall finished steel product shipments in 9M 2015 (excluding intra-group sales) amounted to 8,519 thousand tonnes (-8.2% y-o-y).
- ✓ MMK Group's HVA steel product output in 9M 2015 totalled 4,010 thousand tonnes (-3.0% y-o-y). HVA products' share in the total output volume increased by 2.5 p.p. versus 9M 2014 to 47.1%.
- ✓ Production of Belon coal concentrate in 9M 2015 amounted to 2,025 thousand tonnes (-1.5% y-o-y).

MMK Group highlights by key segments

Steel segment (Russia)

(thousand tonnes)

	Q3 2015	Q2 2015	%	9M 2015	9M 2014	%
Pig iron	2,656	2,578	3.0%	7,590	7,804	-2.7%
Crude steel	3,141	2,969	5.8%	9,338	9,959	-6.2%
Finished products output, of which:	2,894	2,677	8.1%	8,415	8,874	-5.2%
Slabs and billets	0	20		40	71	-42.9%
Long products	495	385	28.7%	1,320	1,377	-4.1%
Flat hot-rolled products	1,342	1,270	5.6%	3,892	4,166	-6.6%
HVA products, of which:	1,057	1,002	5.4%	3,162	3,259	-3.0%
Thick plate (mill 5000)	259	291	-11.0%	814	687	18.4%
Flat cold-rolled products	275	342	-19.6%	959	1,082	-11.4%
Downstream products, of which:	523	369	41.7%	1,390	1,491	-6.8%
Tin plate	42	37	13.3%	121	114	6.2%
Galvanised steel	325	208	55.9%	803	826	-2.8%
Polymer-coated steel	95	61	54.8%	261	280	-6.9%
Band	32	40	-21.1%	118	95	24.2%
Formed section	6	4	47.9%	27	114	-76.7%
Pipes	24	18	30.3%	61	62	-2.5%
Shipments by market:						
Russia + CIS	2,327	1,943	19.8%	6,467	7,250	-10.8%
Export	567	734	-22.8%	1,948	1,623	20.0%

(USD / tonne)

	Q3 2015	Q2 2015	%	9M 2015	9M 2014	%
Average price per tonne:	442	523	-15.5%	474	601	-21.1%
Long products	351	414	-15.1%	390	546	-28.6%
Flat hot-rolled products	361	415	-13.1%	391	523	-25.2%
HVA products, of which:	588	707	-16.8%	613	728	-15.7%
Thick plate (mill 5000)	715	914	-21.8%	744	734	1.3%
Flat hot-rolled products	435	527	-17.5%	462	566	-18.4%
Downstream products, of which:	606	709	-14.6%	641	842	-23.9%
Tin plate	755	829	-9.0%	736	941	-21.8%
Galvanised steel	562	680	-17.3%	604	803	-24.7%
Polymer-coated steel	778	904	-14.0%	824	1,081	-23.8%
Band	470	534	-12.0%	481	605	-20.5%
Formed section	533	687	-22.4%	570	745	-23.5%
Pipes	463	547	-15.4%	489	641	-23.7%

- ✓ Pig iron output in Q3 2015 increased by 3.0% q-o-q to 2,656 thousand tonnes. This was due to the increase in productivity after heavy maintenance works done in early 2015, optimization process of blast furnace charge and less intensive current maintenance schedule.
- ✓ Crude steel output in Q3 2015 increased by 5.8% q-o-q to 3,141 thousand tonnes. This was due to

increased arc-furnace capacity utilisation.

- ✓ In Q3 2015, shipments of finished products totalled 2,894 thousand tonnes, up 8.1% q-o-q. This significant growth was due to the seasonal recovery of demand for steel on the domestic market.
- ✓ Taking advantage of the favorable situation on the domestic market the company managed to increase sales in Russia and the CIS in Q3 2015 by 19.8% q-o-q, delivering an increased domestic sales share of 80.4%.
- ✓ In 9M 2015, the share of export sales remains at 23.1%: up nearly 5 p.p. y-o-y.
- ✓ Sales of long products in Q3 2015 increased 28.7% q-o-q to 495 thousand tonnes, due to increasing demand for construction products since July 2015.
- ✓ Sales of HVA products in Q3 2015 increased 5.4% q-o-q, mainly due to an increase in sales of galvanised steel and polymer-coated steel.
- ✓ Decrease in sales of cold-rolled products in Q3 2015 by 19.6% q-o-q was due to softer demand in export markets and lower sales to the semi-integrated works and automotive sector on the domestic market.
- ✓ Sales of thick plate produced at mill 5000 in Q3 2015 decreased by 32 thousand tonnes or 11.0% q-o-q, due to the irregular supply schedule of Large-diameter pipes for the construction of major Gazprom projects. In 9M 2015, shipments of mill 5000's thick plate increased by 127 thousand tonnes thousand tonnes, or 18.4%, y-o-y.
- ✓ Decrease in the share of pipe steel in the production mix of mill 5000 in Q3 2015 resulted in average USD prices for its products falling by 21.8% q-o-q – faster than the decrease in average prices per overall production mix. However, in 9M 2015, the price for thick plate increased 1.3% y-o-y: significantly better than the Company's average sales prices for the same period (-21.1%).
- ✓ Increase in sales of galvanised steel and polymer-coated steel in Q3 2015 by 55.9% and 54.8%, respectively, was due to seasonal recovery in demand for these products. Another important factor that made it possible to increase coated steel shipments was the rouble devaluation versus the US dollar throughout the quarter, which significantly decreased Russian producers' cost position and made it possible to substitute the import volumes more efficiently.
- ✓ Average USD sales price in Q3 2015 decreased 15.5% q-o-q. This was mainly due to overall decrease in steel prices and the rouble devaluation.
- ✓ Seasonal demand recovery from the construction industry resulted in better sales of finished products by MMK-Metiz in this sector. In Q3 2015, shipments amounted to 117 thousand tonnes (including 116 thousand tonnes from MMK products), up 17.3% q-o-q.

Steel segment (Turkey)

(thousand tonnes)

	Q3 2015	Q2 2015	%	9M 2015	9M 2014	%
MMK Metalurji finished products, of which:	198	210	-5.6%	582	518	12.4%
Flat hot-rolled products	21	17	23.3%	54	49	11.4%
HVA products, of which:	177	193	-8.2%	528	469	12.5%
Galvanised steel	112	117	-3.9%	330	292	13.1%
Polymer-coated steel	65	76	-14.8%	198	178	11.5%
MMK Metalurji finished output from MMK steel	203	205	-1.2%	481	120	301.8%

- ✓ Sales of finished products in Q3 2015 amounted to 198 thousand tonnes, reflecting the company's maximum capacity utilisation at the current production mix. The decrease in sales by 5.6% q-o-q

relates to a high base effect from the previous quarter, when the company saw record monthly production rates (partly due to higher utilization rates of polymer-coating line with semi-finished products coming from the stocks).

- ✓ Finished products sales in 9M 2015 increased 12.4% y-o-y.
- ✓ Since Q2 2015 most part of MMK Metalurji needs in semi-finished rolled steel are covered by supplies of HRC, produced at the key production site of MMK Group in Russia.
- ✓ It is expected, that notwithstanding seasonal business activity weakening in Q4 and political instability in Turkey, MMK Metalurji will be able to increase finished products sales in 2015 versus 2014.

Raw materials segment (Belon)

(thousand tonnes)

	Q3 2015	Q2 2015	%	9M 2015	9M 2014	%
Coking coal mining	941	883	6.6%	2,562	2,587	-1.0%
Coking coal processing	1,271	1,198	6.1%	3,427	3,585	-4.4%
Mined	873	775	12.6%	2,276	2,482	-8.3%
Purchased	398	423	-5.9%	1,151	1,103	4.4%
Coking coal concentrate	730	701	4.1%	2,025	2,055	-1.5%

- ✓ Coking coal mining volumes in Q3 2015 increased by 6.6% q-o-q to 941 thousand tonnes.
- ✓ Volumes of mined coking coal processing increased by 12.6% in Q3 2015 and was supported by depleting coal stocks.
- ✓ The annual production programme envisages maintaining levels of coking coal mining in 2015 y-o-y.

Outlook

Company management expects the seasonal weakening in demand for steel in Q4 2015 will put on pressure the company's results.

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, the company produced 13.0 million tonnes of crude steel and 12.2 million tonnes of commercial steel products. MMK Group had sales in 2014 of USD 7,952 million and EBITDA of USD 1,607 million.

Contacts

Investor Relations Department:

Andrey Serov

+7 3519 24-52-97

serov.ae@mmk.ru

Communications Department:

Dmitry Kuchumov

+7 499 238-26-13

kuchumov.do@mmk.ru

Sergey Vykhukholev

+7 499 238-26-13

vykhukholev.sv@mmk.ru