



IFRS financial statements for Q1 2016

06 May 2016



Q1 2016 Financial results

Revenue	USD 1,050 mln	●	down 11.1% q-o-q
Cost of sales	USD 789 mln	●	down 11.6% q-o-q
EBITDA	USD 287 mln	●	up 4.4% q-o-q
EBITDA margin	27.3%	●	up 4.0 p.p. q-o-q
Net loss	USD 157 mln	●	as compared to loss of USD 125 mln in Q4 2015
Cash cost of slab	USD 166 per tonne	●	down 13.1% q-o-q
Free cash flow (FCF)	USD 96 mln	●	up 41.2% q-o-q
CAPEX	USD 78 mln	●	down 27.8% q-o-q

- The EBITDA margin for Q1 2016 was 27.3%. Excluding the effect of the sale of some of MMK's holding of Fortescue Metals Group (FMG) shares, the margin was 20.9%.
- Free cash flow for Q1 2016 remained low and totalled USD 96 mln.
- Cash and cash equivalents on the balance sheet amounted to USD 677 mln as of the end of the reporting period.
- Net debt declined to USD 929 mln. The net debt/EBITDA ratio stood at 0.6x.

Dividends

- The Board recommended that MMK's Annual General Meeting of shareholders (AGM) approve dividends for the H2 2015 in the amount of RUB 0.31 per common share of issued stock. So the total dividend paid by MMK for FY 2015 may amount to USD 150 mln.
- The Board also requested the CEO of MMK to provide for the Board approval a new dividend policy which would set the following:
 - 1) dividend pay-out ratio as a rule amounts to 30% from IFRS free cash flow;
 - 2) dividend payment as a rule is done on a semi-annual basis.



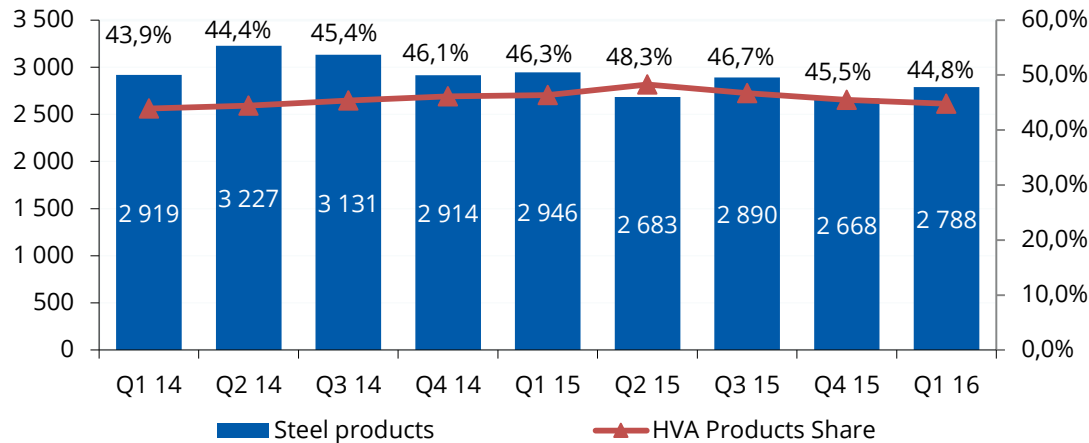
Key production indicators, ths tonnes

	Q1 '16	Q4 '15	%	Q1 '16	Q1 '15	%
Cast iron	2,403	2,541	-5.4%	2,403	2,357	2.0%
Crude steel incl.	3,025	2,897	4.4%	3,025	3,228	-6.3%
MMK	3,025	2,897	4.4%	3,025	3,228	-6.3%
MMK Metalurji	0	0	-	0	0	-
Finished products	2,788	2,668	4.5%	2,788	2,946	-5.4%
MMK	2,709	2,597	4.3%	2,709	2,844	-4.8%
MMK-Metiz*	93	98	-4.9%	93	104	-10.5%
MMK Metalurji*	202	213	-5.3%	202	175	15.7%
HVA products	1,249	1,214	2.9%	1,249	1,365	-8.5%
Belon coking coal concentrate	794	798	-0.5%	794	594	33.7%

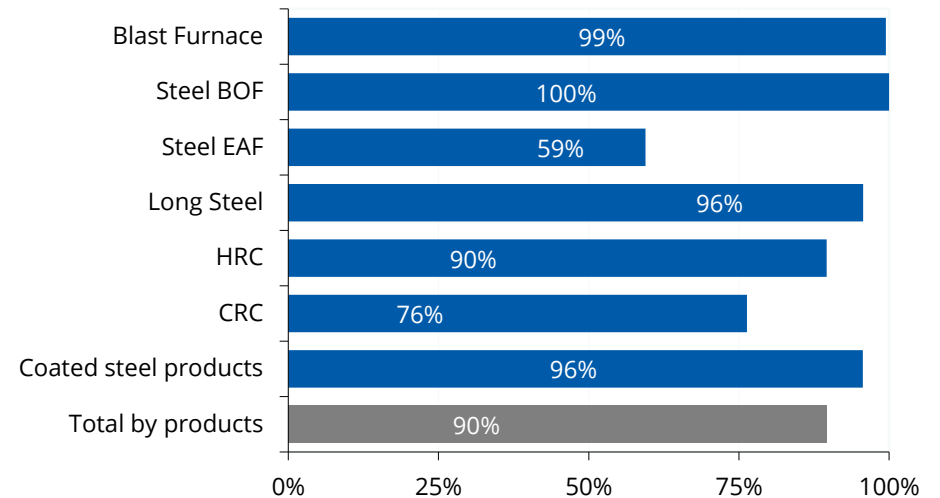
- MMK Group's finished steel products output in Q1 2016 was up 4.5% q-o-q.
- MMK Group High Value Added (HVA) steel products output in Q1 2016 was 1,249 thousand tonnes. The share of HVA products in total output volume was 44.8%.
- The total steel-making capacity utilisation rate at the main production site in Magnitogorsk in Q1 2016 was approx. 88%.

* - incl. made from MMK steel

MMK Group finished products dynamics, ths tonnes



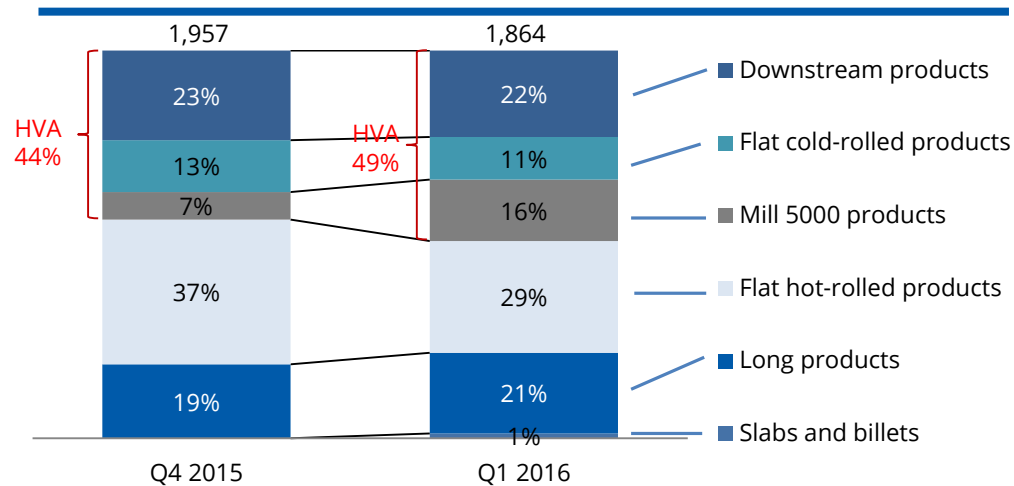
Key capacities utilisation rates in Q1 2016, %



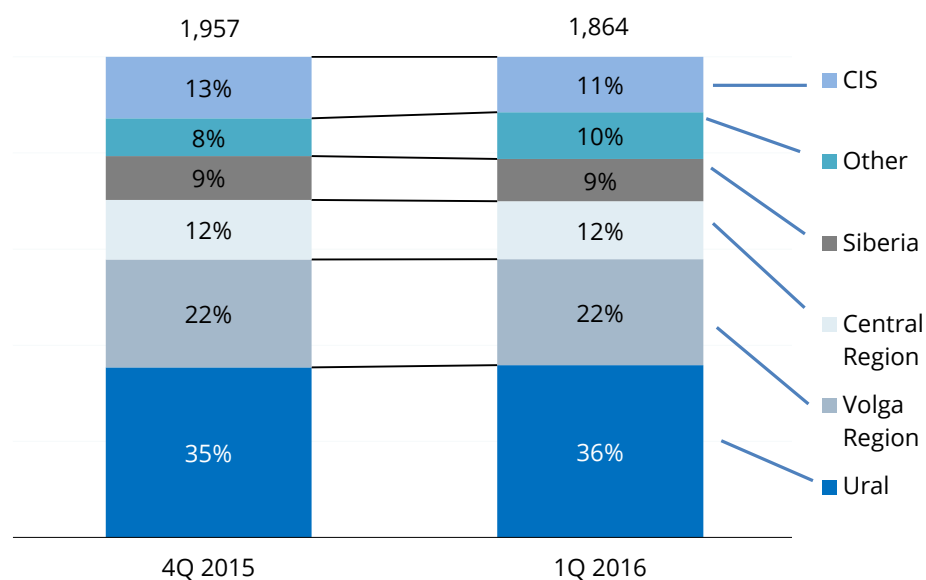


- Total sales volume on the Russian and CIS market in Q1 2016 was 1,864 ths tonnes, down 93 ths tonnes, or 4.7% q-o-q. This was due to overall seasonal decline in domestic demand for steel during the quarter.
- Sales of thick plate produced at Mill 5000 in Q1 2016 increased by 77 ths tonnes, or 55.7%, q-o-q, which was due to the resumption of supplies of large-diameter pipes for the construction of major Gazprom projects.
- The reduction in the share of hot-rolled steel in shipments for Q1 2016 was due to an increase in sales of other products. In absolute terms, sales of hot-rolled steel were flat q-o-q.
- In Q1 2016, there was a seasonal reduction in the share of shipments to the construction industry and to semi-integrated works. The share of shipments to pipemakers increased.

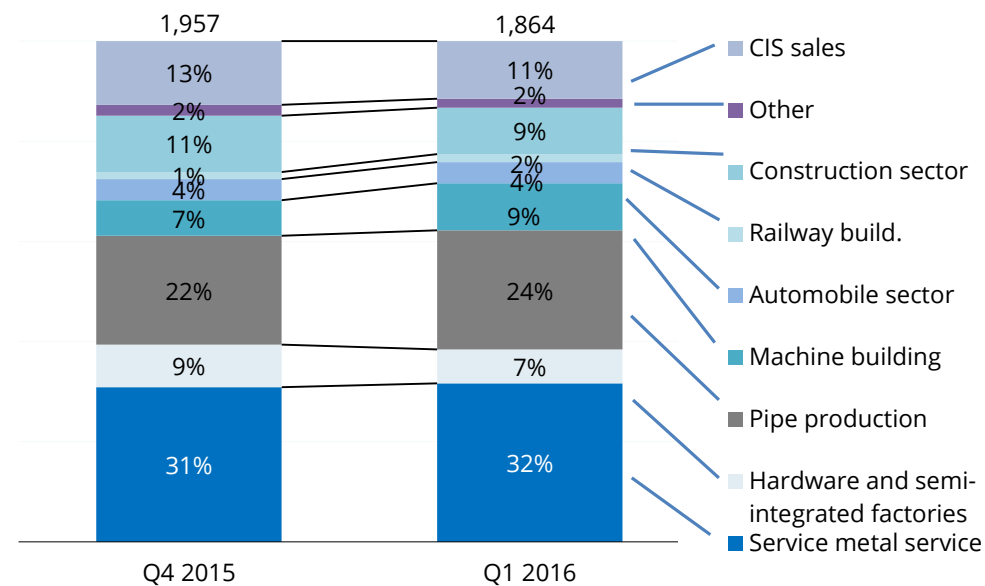
Sales structure on the Russian and CIS market, ths tonnes



Russia and CIS market sales by region, ths tonnes



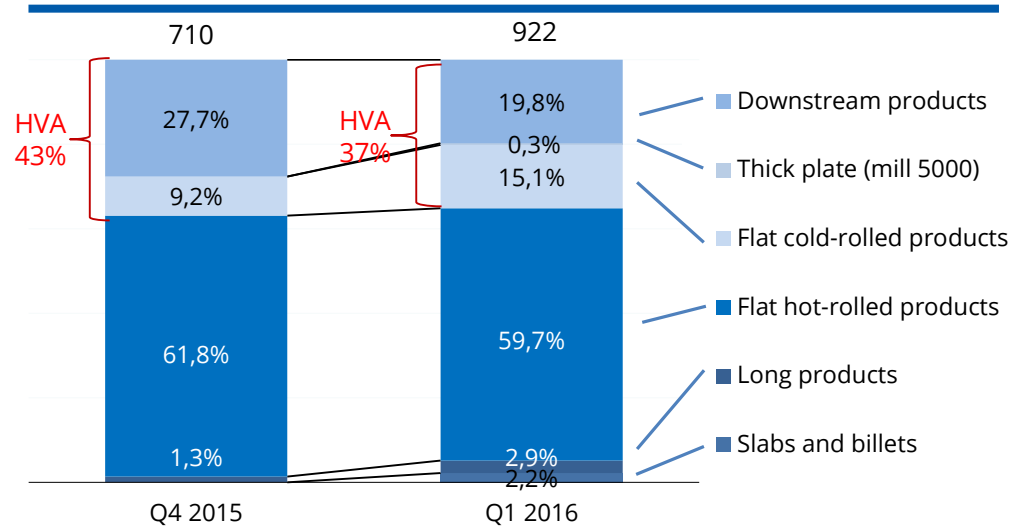
Russia and CIS market sales by sector, ths tonnes



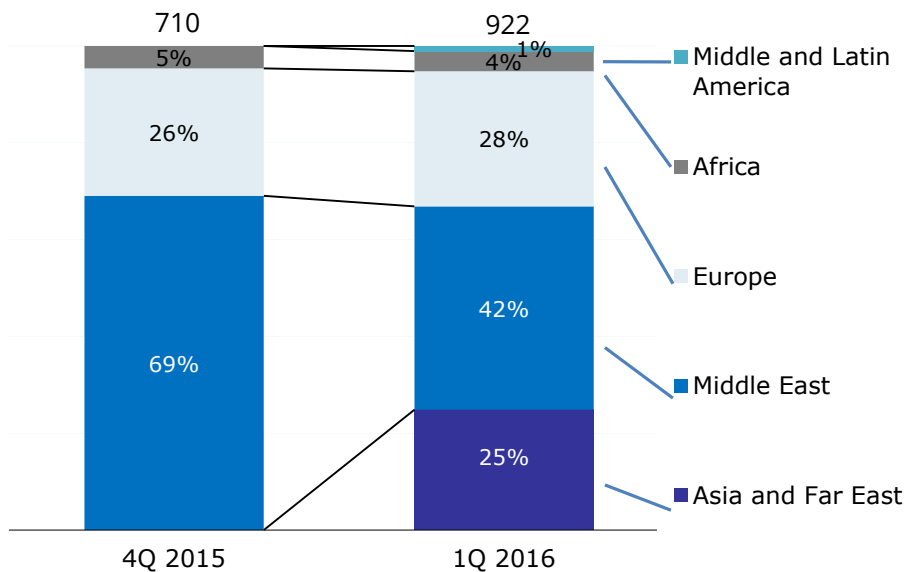


- Sales on international markets in Q1 2016 amounted to 922 ths tonnes, up 212 ths tonnes, or 29.9% q-o-q. This increase demonstrates the Company's flexibility in reorienting the flow of sales from the domestic market to export markets when needed.
- The share of export sales in the overall sales structure in Q1 2016 reached 31%, compared to 25% in the previous quarter.
- In Q1 2016, the Company compensated for the reduction in shipments to its traditional export markets (Europe and the Middle East) by entering new markets (Asia and the Far East).

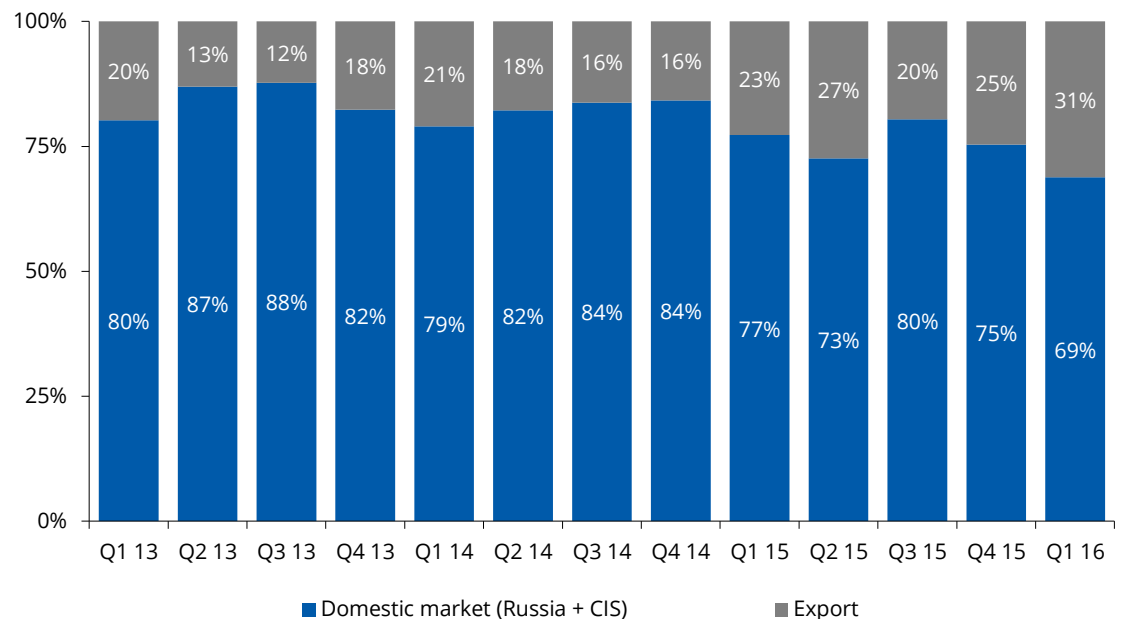
Sales structure on international markets, ths tonnes



International sales structure by region, ths tonnes



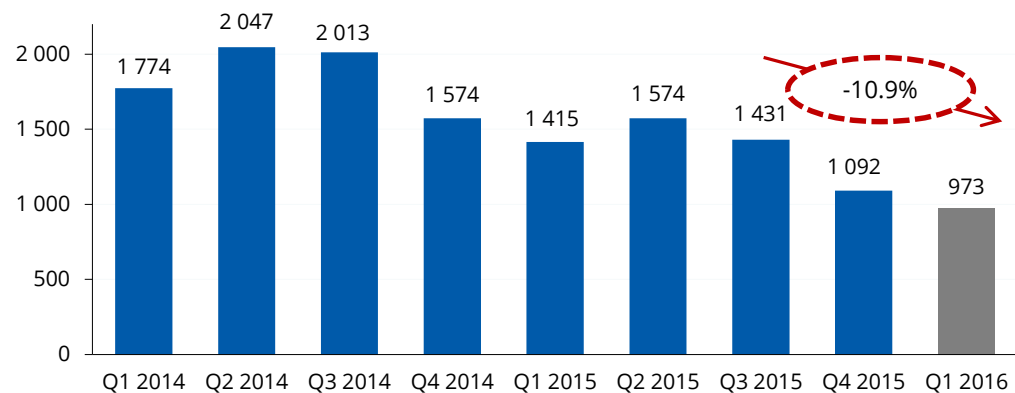
Sales share by market, ths tonnes



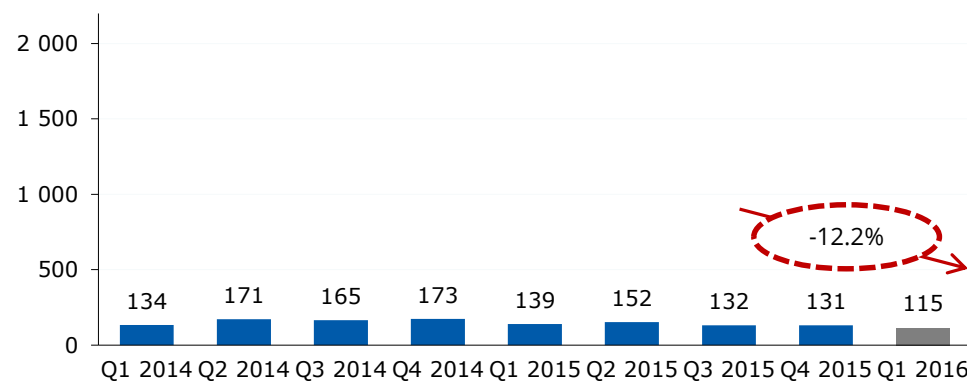


- Revenue for Q1 2016 amounted to USD 1,050 mln, down 11.1% q-o-q. This was primarily due to a decrease in the average sales price in US dollars by 16.8% q-o-q as a result of seasonal weakening of the business and the depreciation of the ruble.

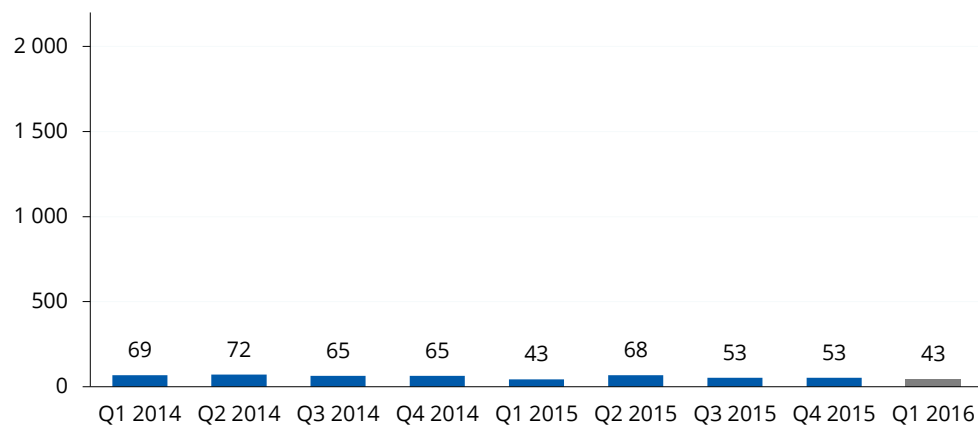
Steel segment revenue (Russia), mln USD



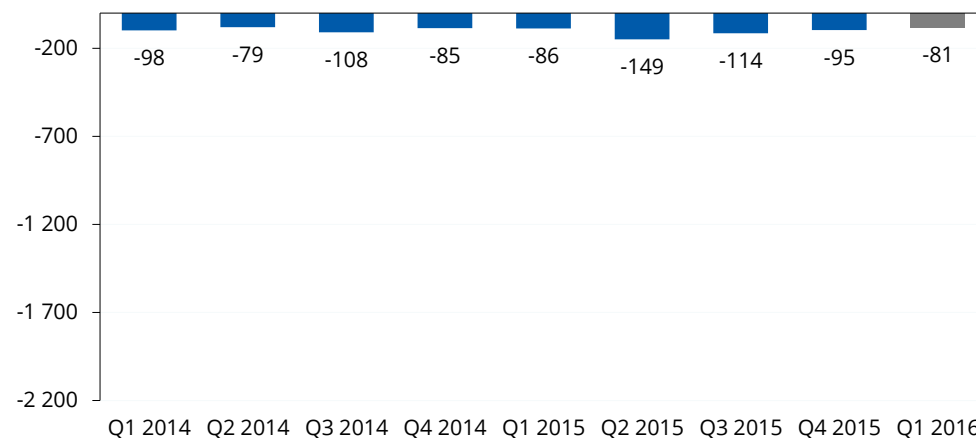
Steel segment revenue (Turkey), mln USD



Coal segment revenue, mln USD



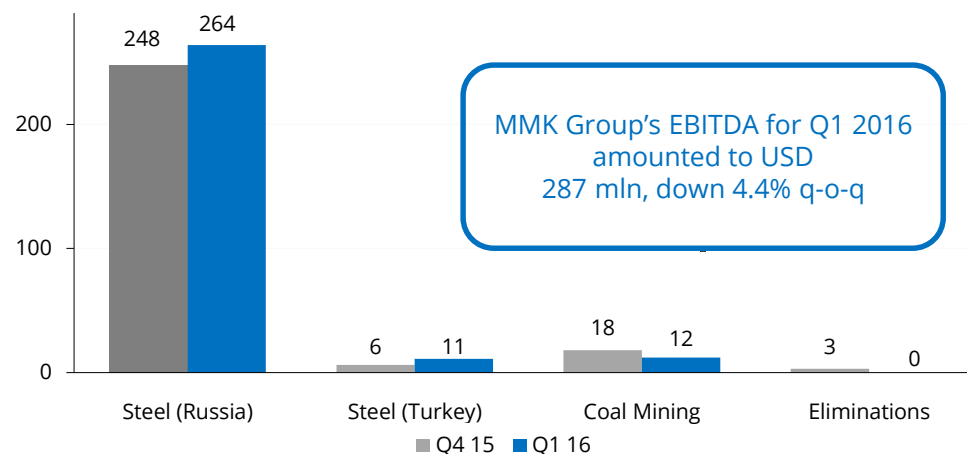
Consolidation, mln USD



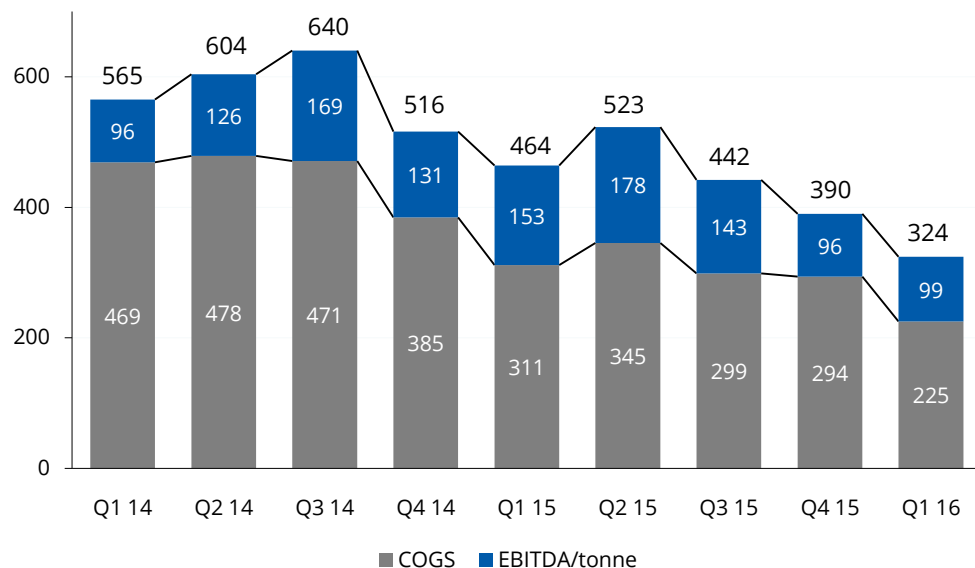


- A decrease in global steel prices and seasonal weakening of the business on the domestic market in Q1 2016 contributed to decrease in the average sales price.
- EBITDA for the steel segment (Russia) in Q1 2016 increased 6.5% q-o-q. One-off factors affecting this indicator included the sale of some of MMK's shares in FMG worth USD 68 mln.
- EBITDA for the steel segment (Turkey) in Q1 2016 increased almost twofold q-o-q to USD 11 mln. This growth was due to production of high-margin products (resulting in increase in production volumes on galvanisation lines), and favourable conditions on the hot-rolled steel market.

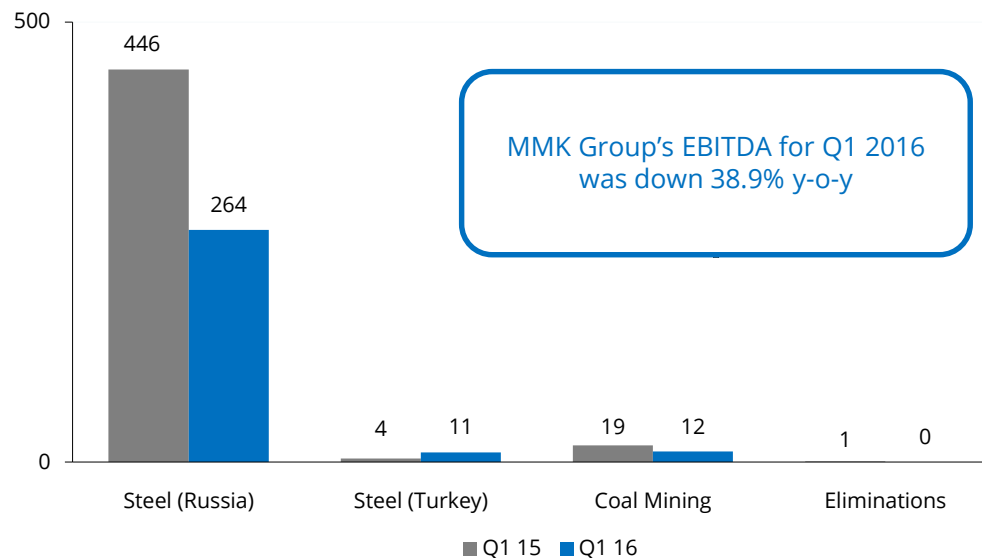
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



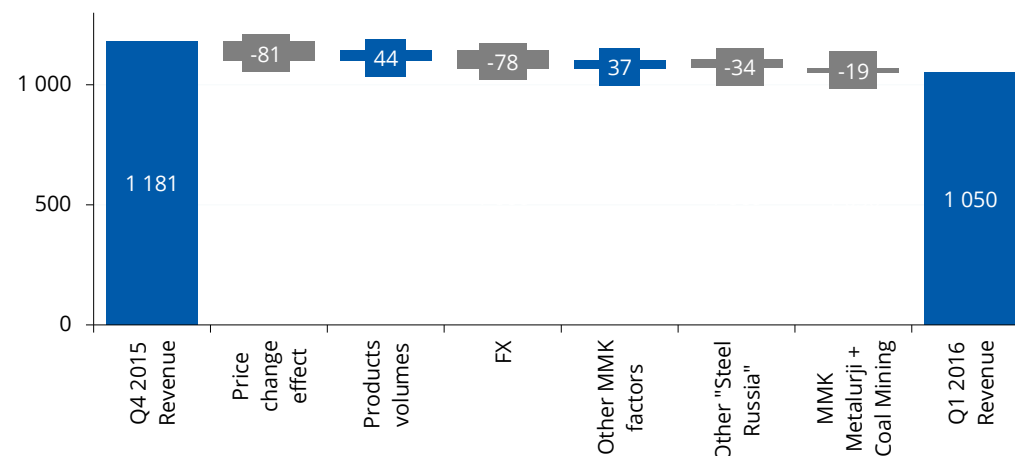
Annual EBITDA dynamics, mln USD



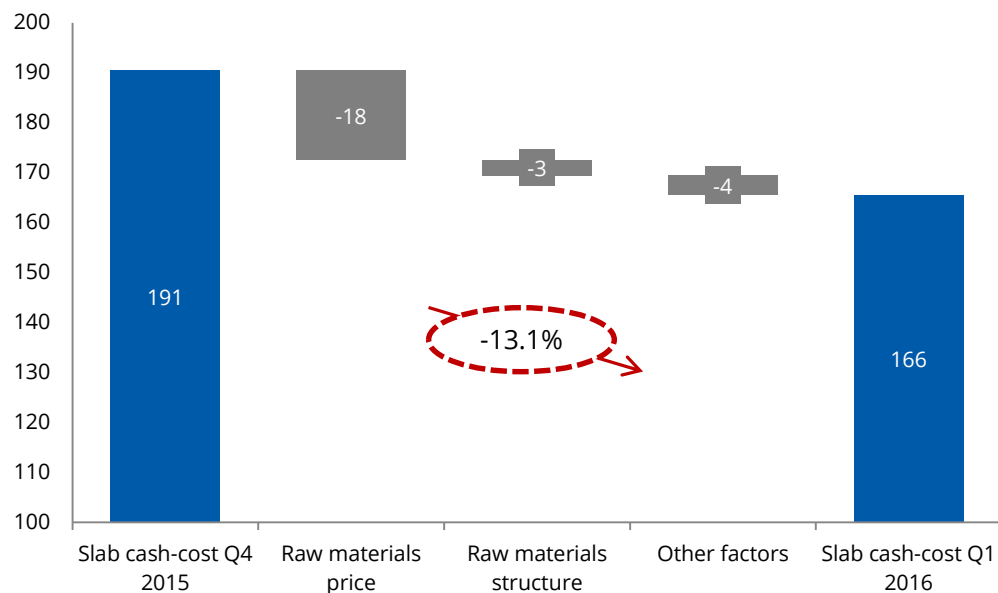


- The key factors impacting revenue in Q1 2016 were lower steel prices and FX rate fluctuations.
- In Q1 2016, the Company's profit amounted to USD 157 mln. Key one-off factors included an FX gain of USD 25 and the effect from the sale of the FMG shares of USD 68 mln.
- The cash cost of slab decreased by 13.1% in Q1 2016, mainly due to the decrease in raw material prices.

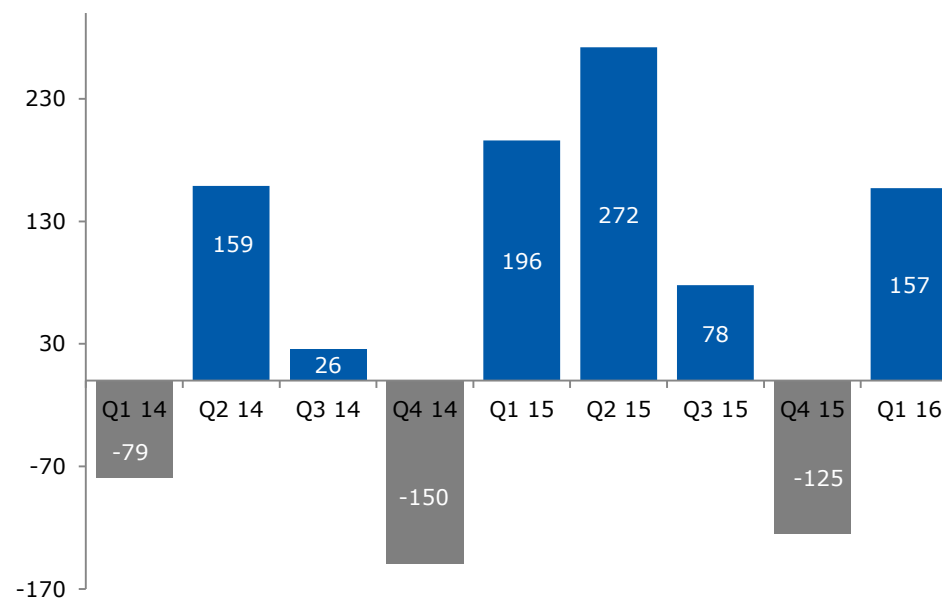
Analysis of revenue, Q1 2016 q-o-q, mln USD



Cash-cost of slab dynamics, USD/t



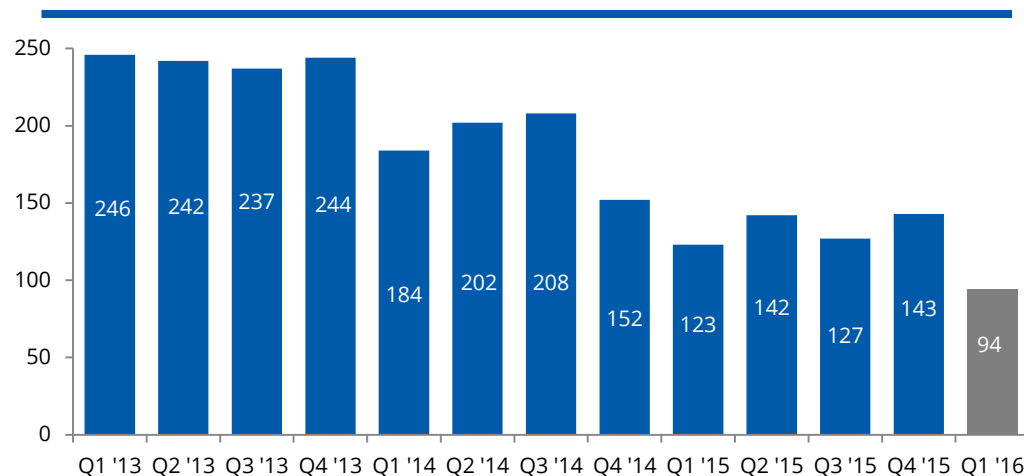
Net income dynamics, mln USD



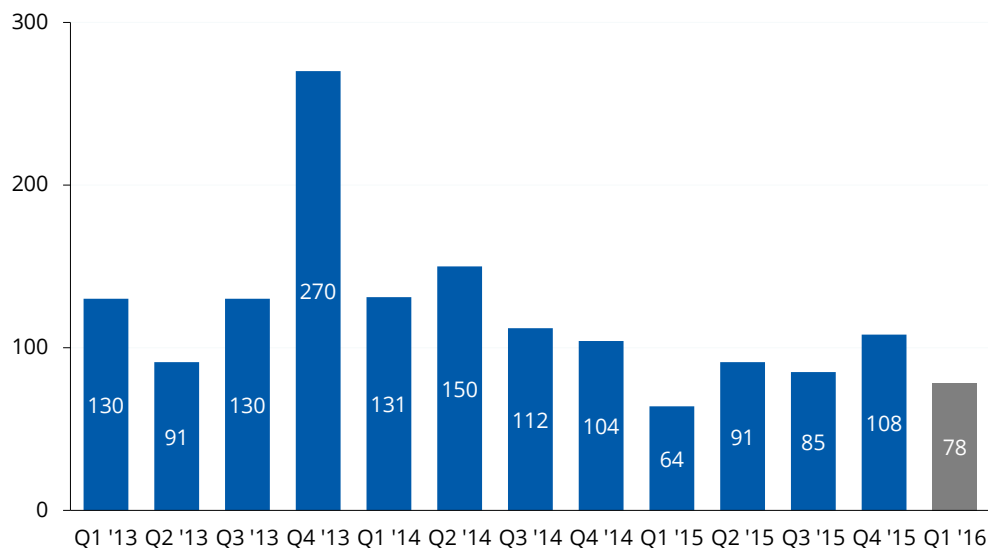


- MMK Group's capex in Q1 2016 amounted to USD 78 mln. The decrease on the previous quarter was due to completion of scheduled maintenance at blast furnace no. 9.
- The reduction in depreciation in Q1 2016 vs the previous quarter was due to FX rate fluctuations.
- In 2016, capex will amount to approx. USD 400 mln, closer to the lower limit of the earlier reported USD 0.4-0.5 bln range.

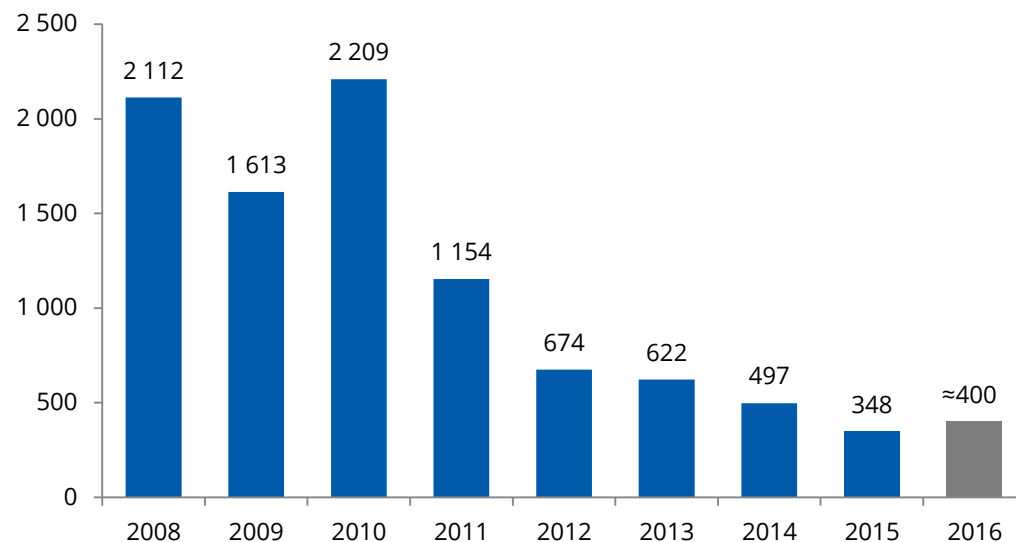
Quarterly depreciation dynamics, mln USD



Quarterly CAPEX dynamics, mln USD

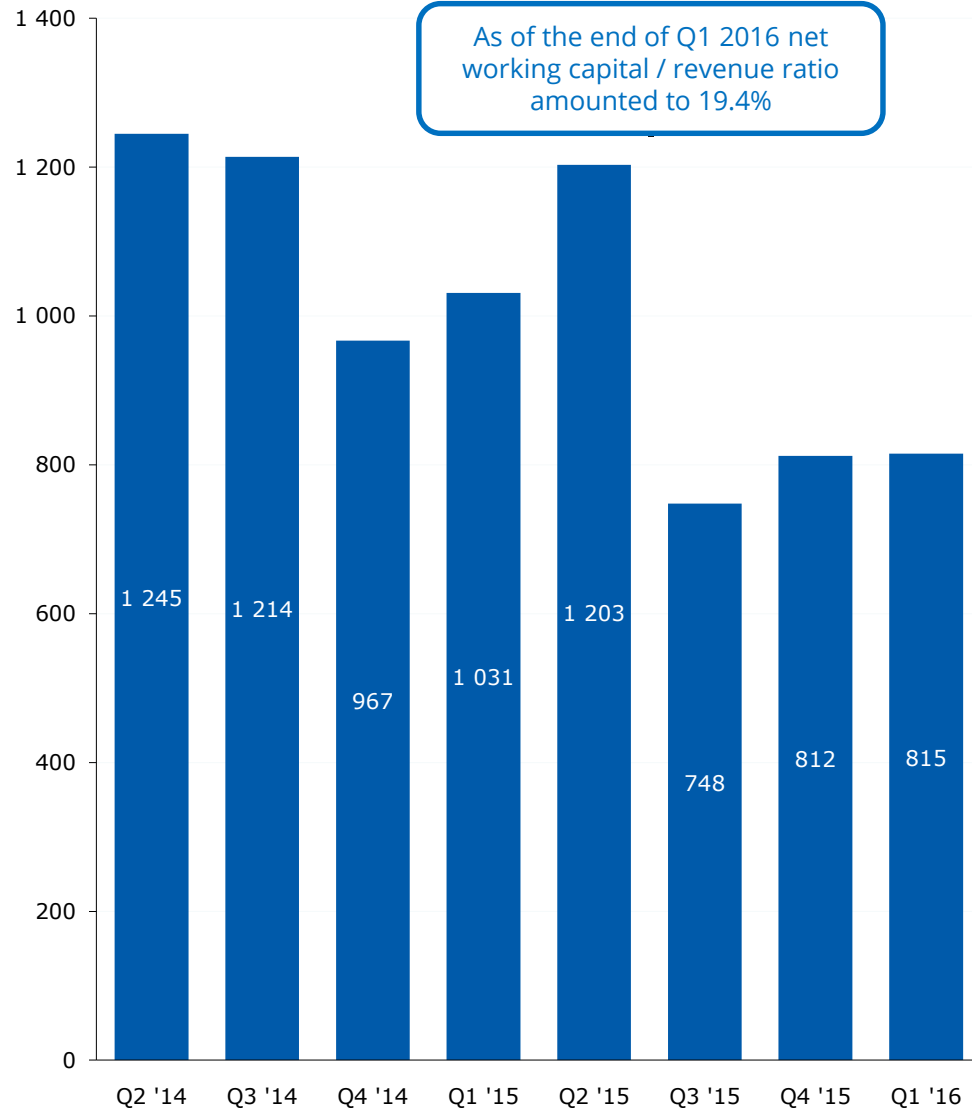


CAPEX decrease following the end of the investment cycle, mln USD

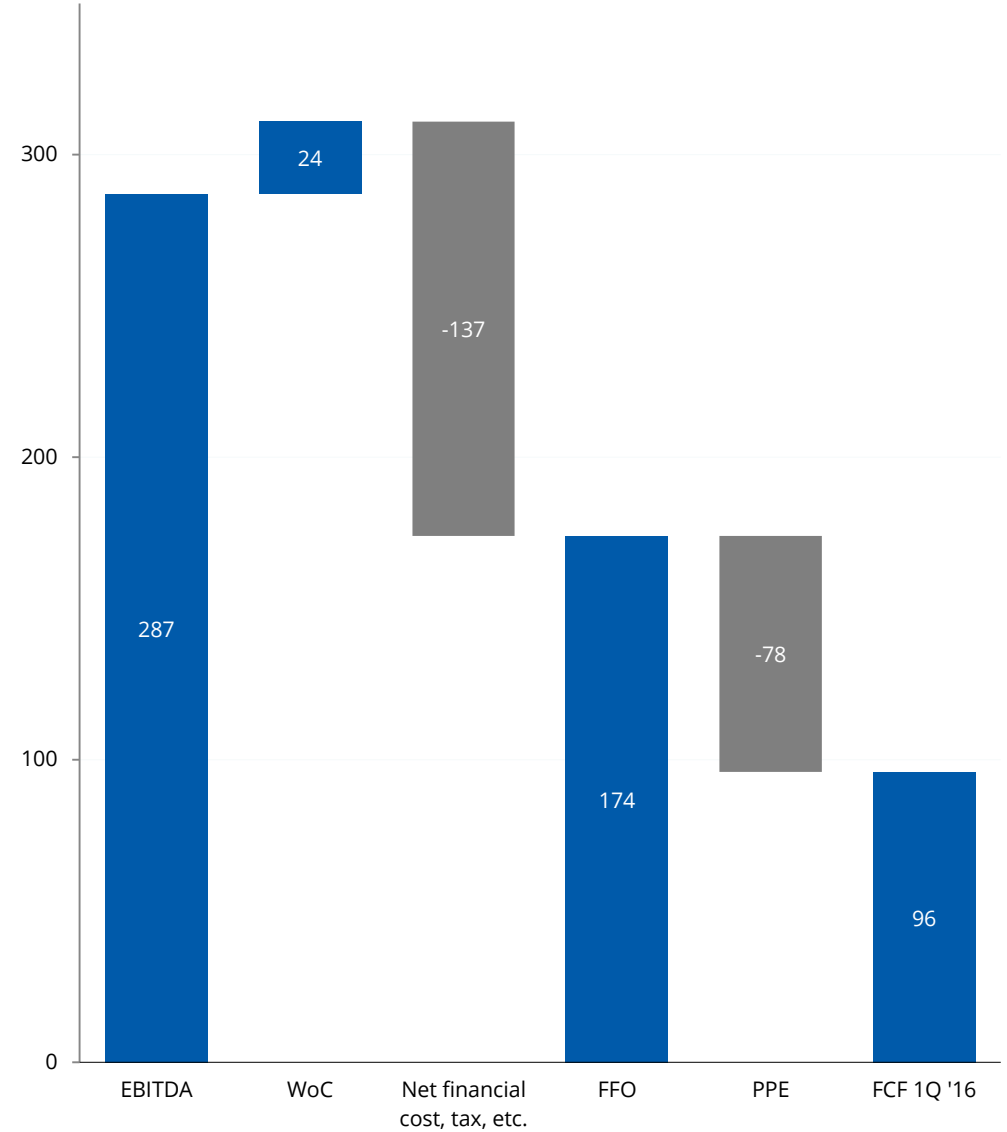




Net working capital dynamics, mln USD

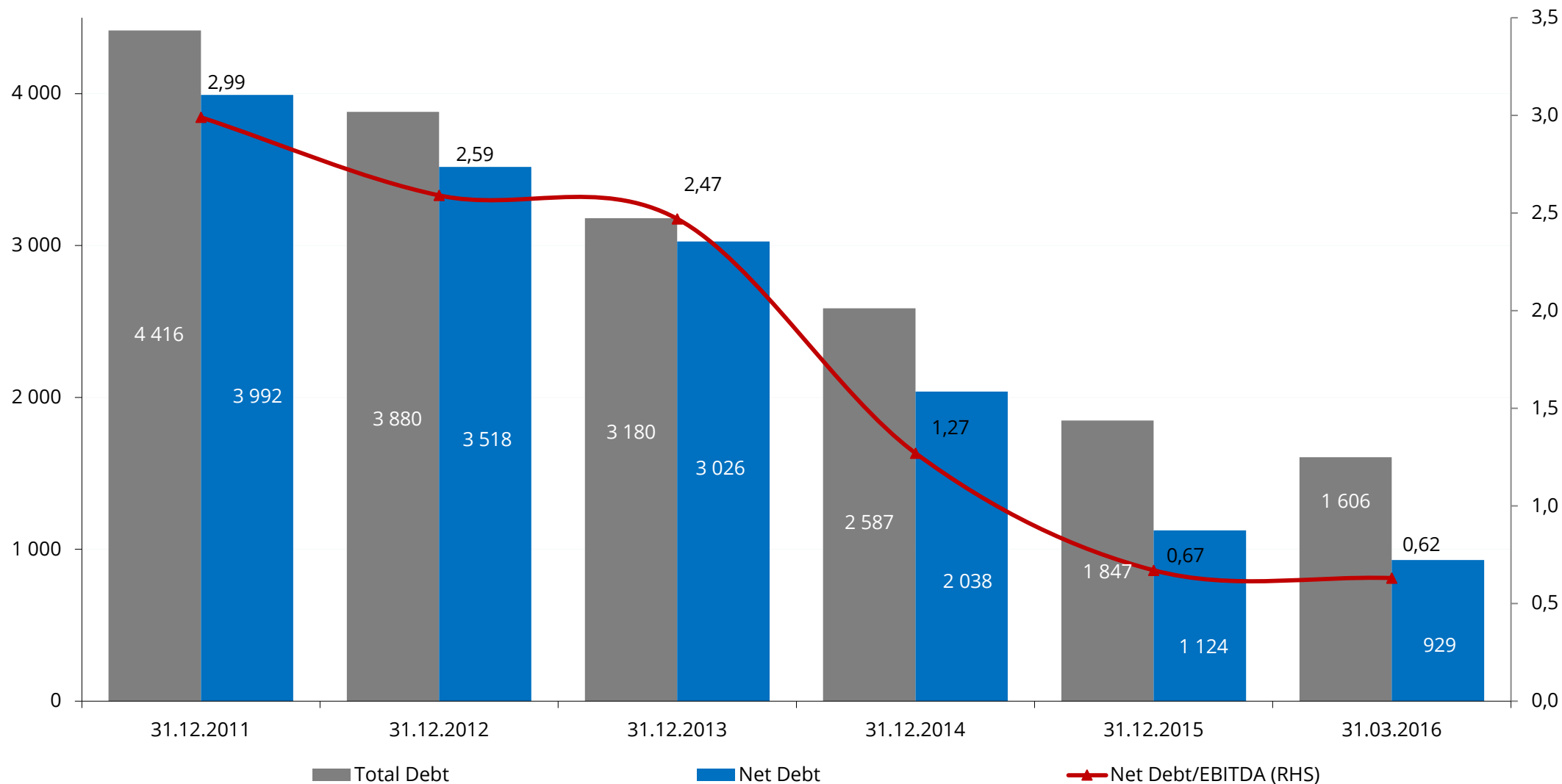


Free Cash Flow (FCF), mln USD





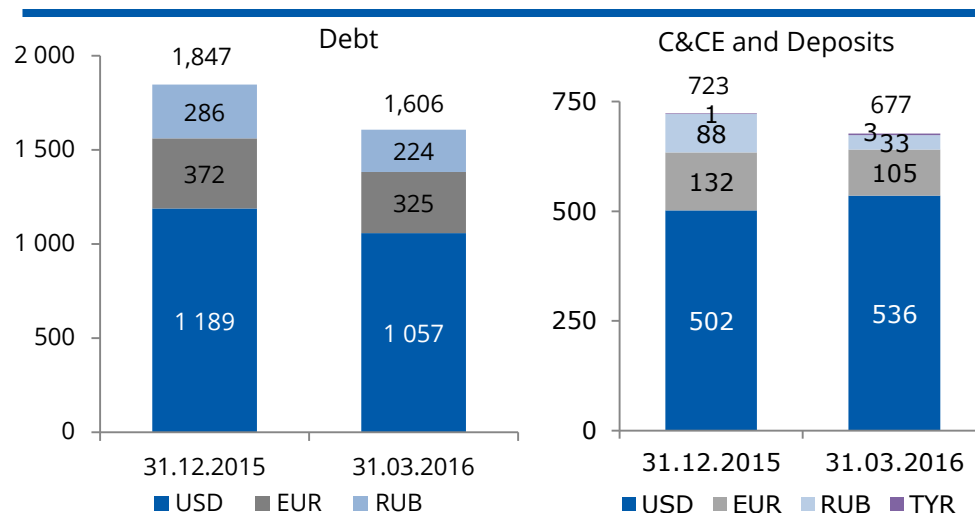
- MMK Group's net debt as of the end of Q1 2016 decreased to USD 929 mln, down by USD 195 mln compared to 31 December 2015.
- This decrease supported further reduction in net debt / EBITDA ratio to 0.62x — the lowest level since 2008.
- The Company plans to further reduce the debt load in 2016 by using its cash funds and cash flow from operations.



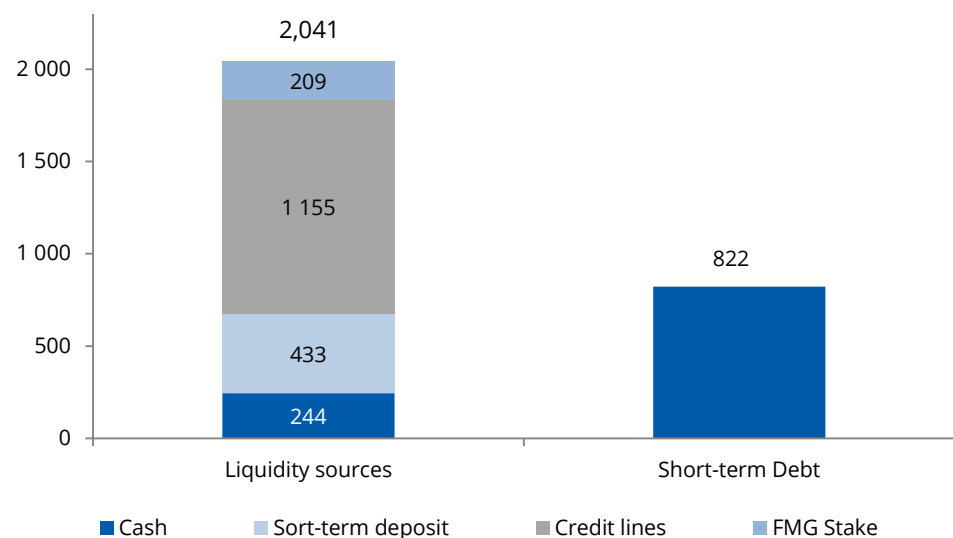


- The share of debt which is denominated in foreign currencies (USD+EUR) amounted to approx. 86% as of 31 March 2016.
- The volume of cash funds and short-term deposits in the MMK Group's balance sheet (USD 677 mln) almost fully covers the short-term debt of MMK Group.
- The debt maturity schedule does not presume any significant one-time payments.

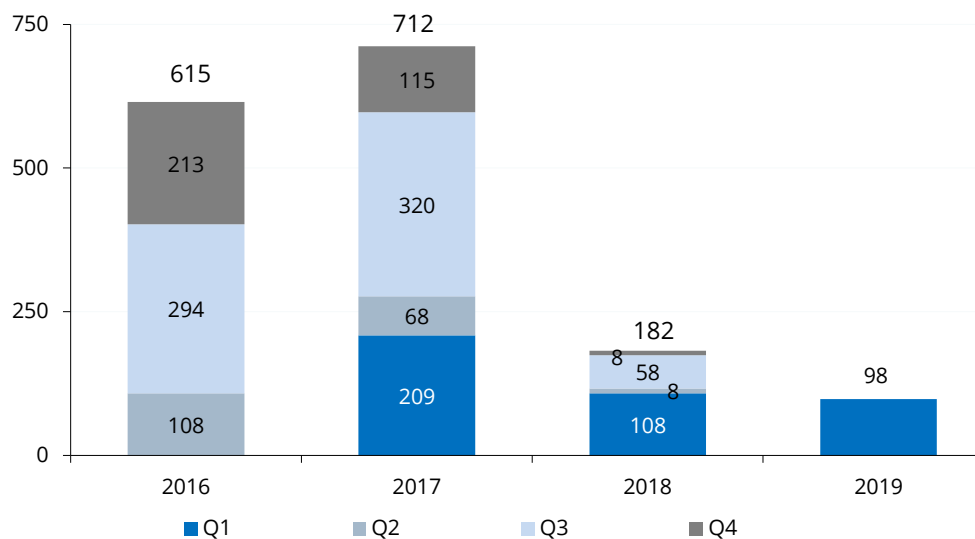
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD



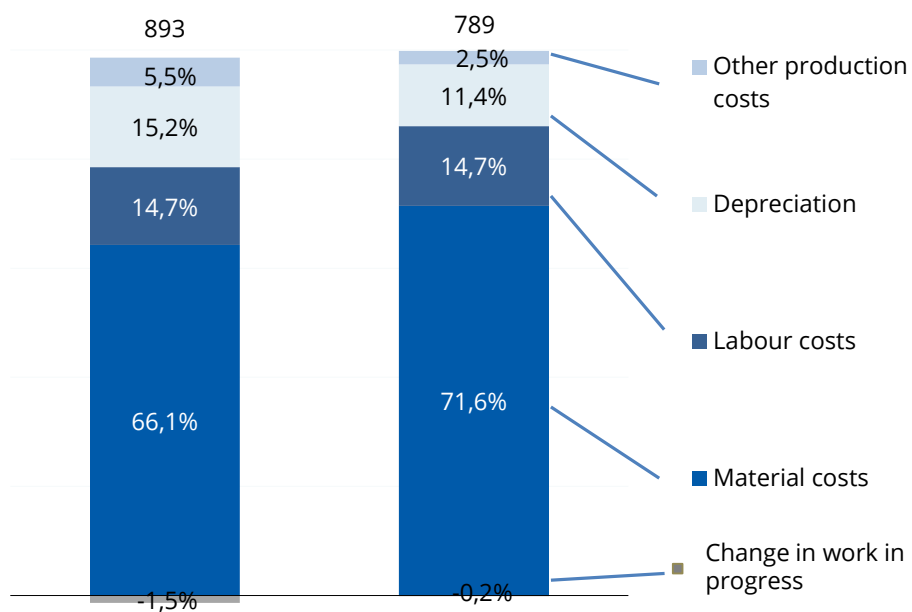


- In Q1 2016, the share of metal scrap significantly increased in the structure of OJSC MMK's material costs, due to an increase in capacity utilisation of EAFs during maintenance at a blast furnace amid higher production volumes.
- The share of coal and pellets decreased due to maintenance at blast-furnace No.9 which started in the end of 2015.
- The 18.5% decrease in operating costs in Q1 2016 q-o-q was due to the effect of FX fluctuations and reflection of the sale of some of MMK's FMG shares in other operating costs.

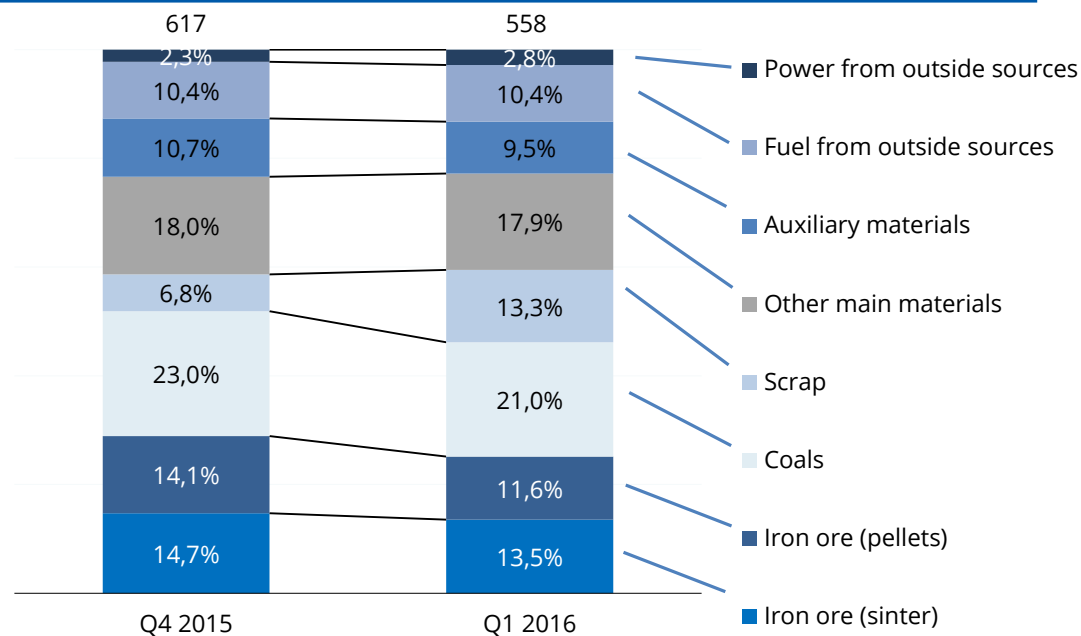
MMK Group operating costs, mln USD

	Q1 2016	Q4 2015	+/-	%
Cost of sales	789	893	-104	-11.6%
Selling expenses	86	107	-21	-19.6%
General and administrative expenses	52	53	-1	-1.9%
Other operating expenses	-69	0	-69	-
Total operating expenses	858	1,053	-195	-18.5%

Cost of sales, mln USD



OJSC MMK material costs, mln USD





- Currently, early signs of a recovery in domestic demand and a gradual increase in ruble prices on the domestic market towards parity with export prices enable the Company to expect an improvement in its financial metrics in Q2 2016.



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