



**MAGNITOGORSK IRON & STEEL
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**IFRS Financial Statements
for Q4 and FY 2014**

2014 ACHIEVEMENTS

1 Record > 1.6 bln USD EBITDA

2 Net debt down 1 bln USD

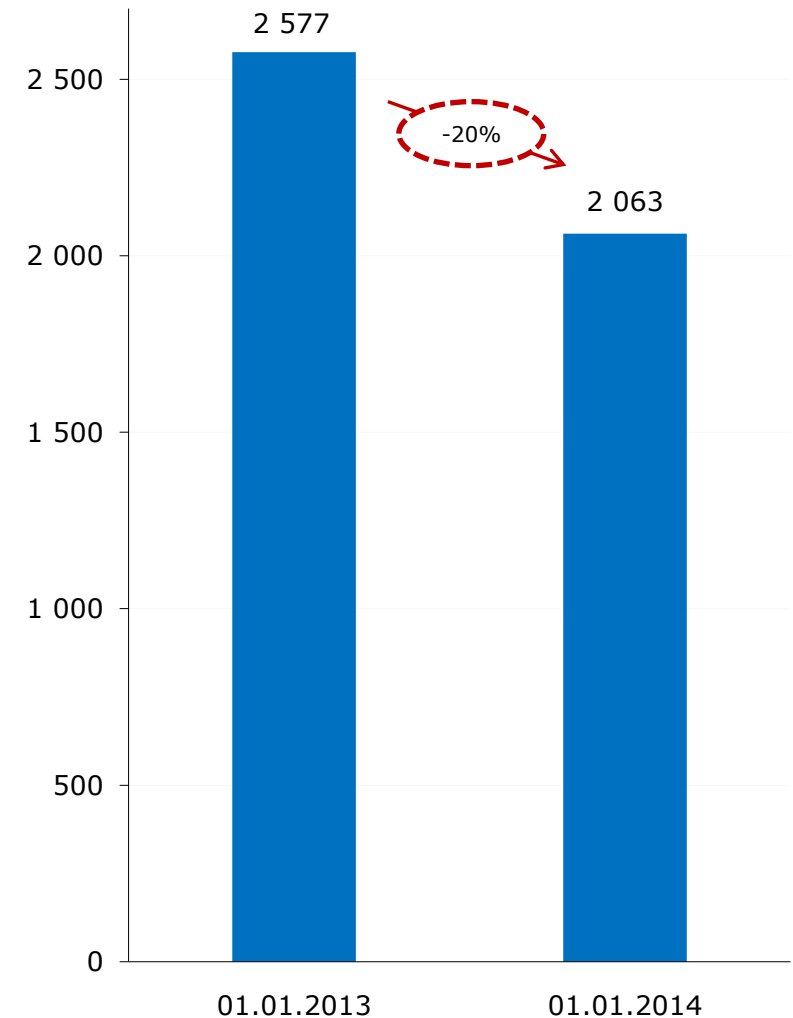
3 FCF yield \approx 37%

4 Lost opportunity of FMG stake sale in early 2014

5 Social life: Won Gagarin Cup in ice hockey



MMK MC Dynamics, mln USD



KEY HIGHLIGHTS FOR MMK GROUP

FY 2014 Financial results

Revenue	USD 7,952 mln	●	down 2.9% y-o-y
Cost of sales	USD 6,212 mln	●	down 10.8% y-o-y
EBITDA	USD 1,607 mln	●	up 31.4% y-o-y
EBITDA margin	20.2%	●	up 5.3 p.p. y-o-y
Net debt	USD 2,038 mln	●	down USD 988 mln compared to the end of 2013
Cash-cost of slab	USD 303 per tonne	●	down 19.8% or USD 74 y-o-y
Free cash flow	USD 759 mln	●	2.5x growth y-o-y
HVA products share	45.1%	●	down 3.1 p.p. y-o-y

Q4 2014 Financial results

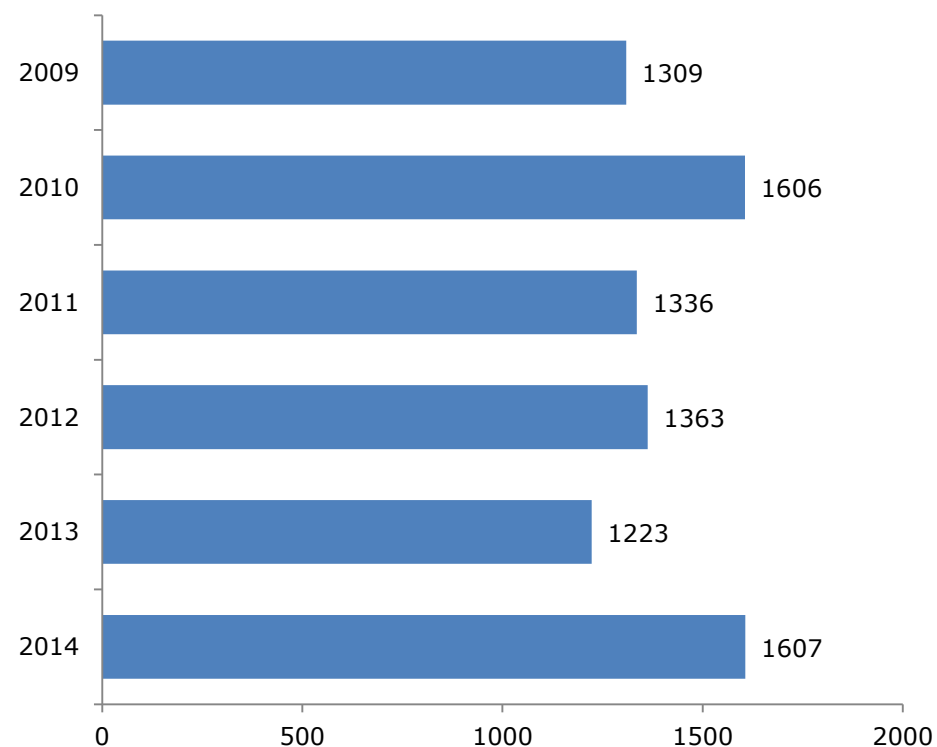
Revenue	USD 1,727 mln	●	down 19.1% q-o-q
Cost of sales	USD 1,305 mln	●	down 19.1% q-o-q
EBITDA	USD 392 mln	●	down 24.9% q-o-q
EBITDA margin	22.7%	●	down 1.7 p.p. q-o-q
Free cash flow	USD 294 mln	●	up 41.3% q-o-q
HVA products share	46.1%	●	up 0.7 p.p. q-o-q

Source: MMK

HISTORICAL EBITDA DYNAMICS

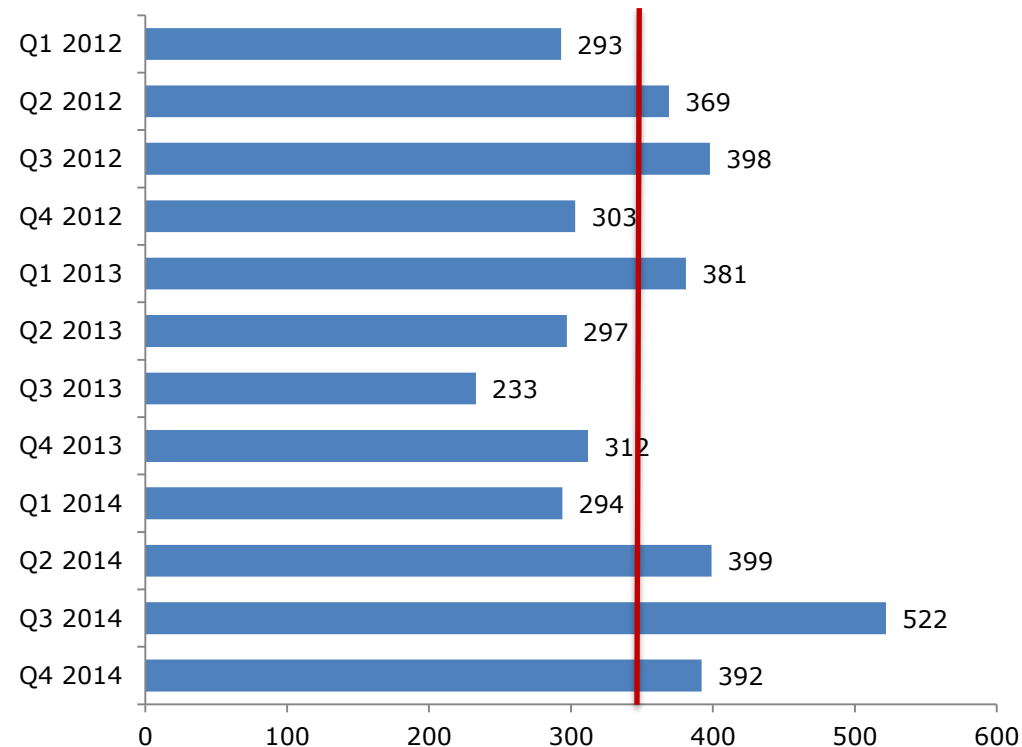
- 2014 saw a record EBITDA, the highest since 2009.
- Following a drop in 2013 – early 2014, quarterly EBITDA for the last three quarters was consistently higher than 2012-2014 average.
- The process of adding new steel making capacities globally is slowing, which should result in the metal industry’s recovery and growth in capacity utilisation.

EBITDA annual performance, mln USD



Source: MMK

EBITDA quarterly performance, mln USD



HIGH CAPACITY UTILISATION

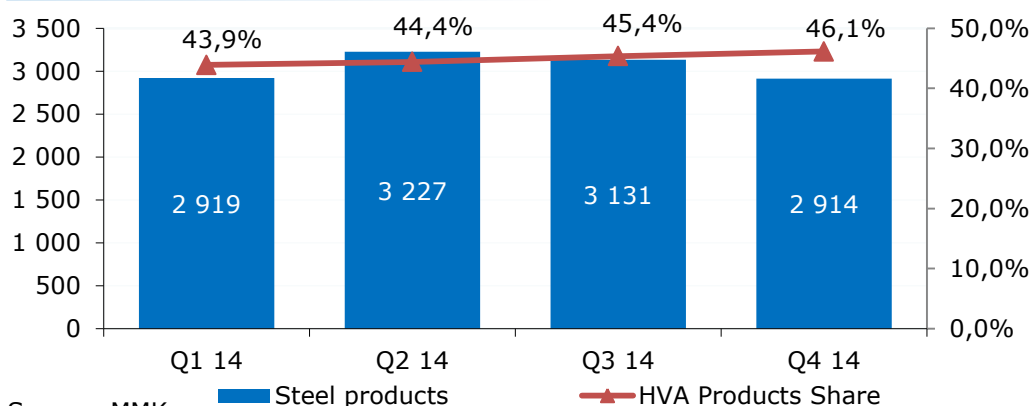
Key production indicators, ths tonnes

	Q4 '14	Q3 '14	%	FY '14	FY '13	%
Cast iron	2 476	2 629	-6%	10 280	9 586	7%
Crude steel incl.	3 072	3 381	-9,1%	13 031	11 941	9%
MMK	3 072	3 381	-9,1%	13 031	11 941	9,1%
MMK Metalurji	0	0	-	0	0	-
Finished products	2 914	3 131	-7%	12 158	11 060	10%
MMK	2 776	2 996	-7,3%	11 650	10 667	9,2%
MMK-Metiz*	101	142	-29%	508	535	-5%
MMK Metalurji*	172	184	-6,5%	690	664	4%
HVA products	1 344	1 420	-5,4%	5 480	5 336	3%
Belon coking coal concentrate	886	672	32%	2 942	2 858	3%

* - incl. made from MMK steel

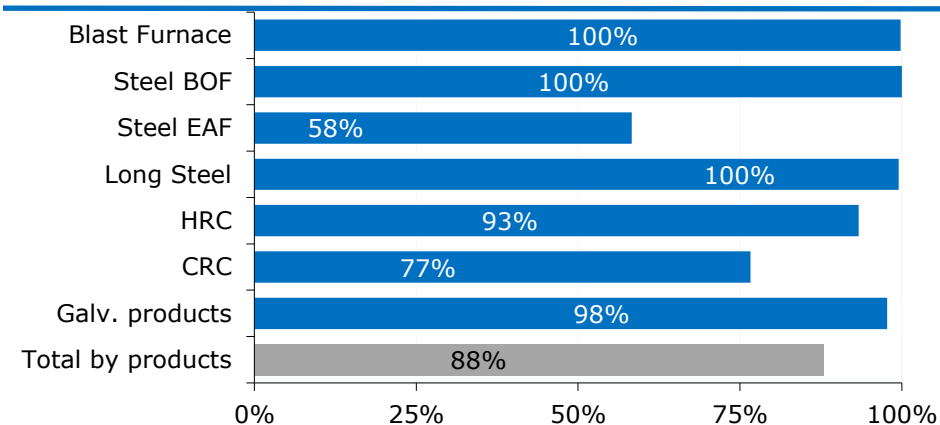
- MMK Group finished steel products output in FY 2014 was up 9.9% y-o-y. This growth was driven by import substitution on the Russian market.
- MMK Group High Value Added (HVA) steel products output in FY 2014 was up 3% y-o-y.
- The share of HVA products in total output volume decreased to 45.1% due to significant growth in HRC sales to export markets.
- MMK Group's total capacity utilisation rate was 88%.
- The main underutilised capacities were EAFs and the few remaining un-modernised HRC and CRC rolling mills
- Lower crude steel output in Q4 2014 by 9,1% q-o-q related to a scheduled maintenance of BF #8 (December 2014) and oxygen converter (November-December 2014), and seasonal slowdown of the demand.

MMK Group steel dynamics, ths tonnes



Source: MMK

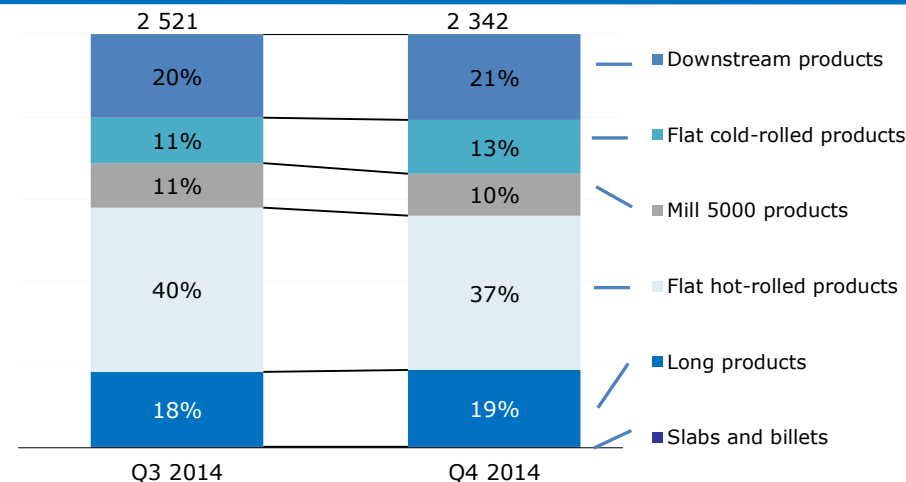
Key capacities utilisation rates in 2014, %



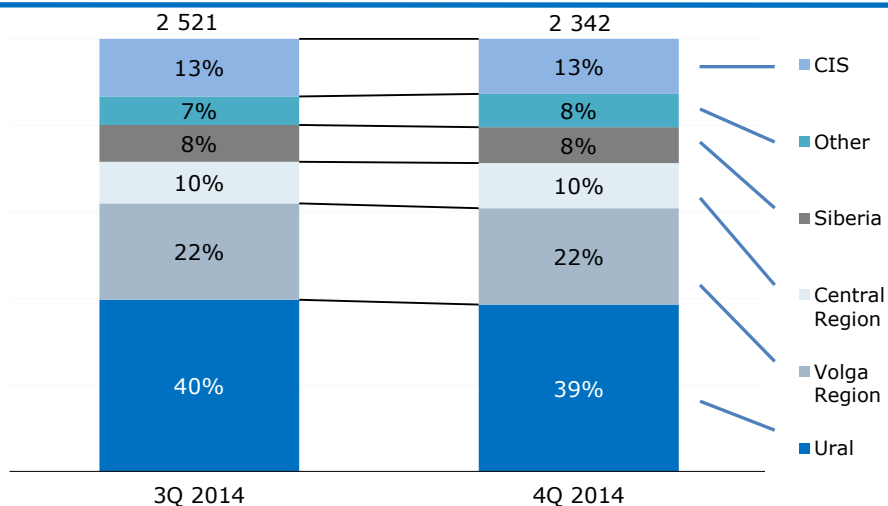
MMK GROUP SALES STRUCTURE ON THE RUSSIAN AND CIS MARKET

- Total sales volume on the Russian and CIS market in Q4 2014 was 2,342 ths tonnes, while sales to the most metal-intensive locations of the Urals and the Volga regions amounted to 61% of total domestic sales.
- The biggest consumers of MMK steel in the CIS region are Kazakhstan (at 30%), Uzbekistan (at 28%) and Azerbaijan (at 19%) (of the total sales to the region).
- Larger share of better quality, but less productive products lead to the decline in sales of thick plate from mill 5000 in Q4 2014 and lower share of these products in total domestic sales.
- In Q4 2014, the share of hot-rolled products in domestic sales decreased, while the share of cold-rolled products and long products increased.

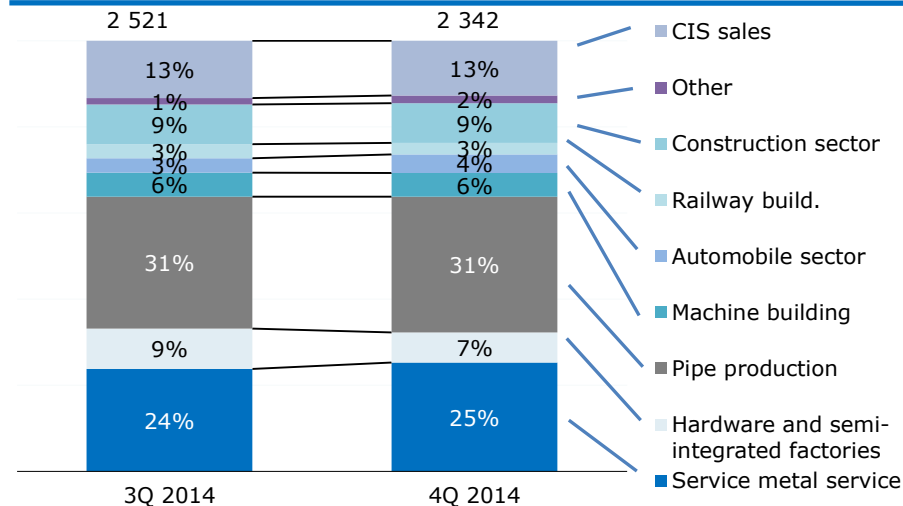
Sales structure on the Russian and CIS market, ths tonnes



Russia and CIS market sales by region, ths tonnes



Russia and CIS market sales by sector, ths tonnes

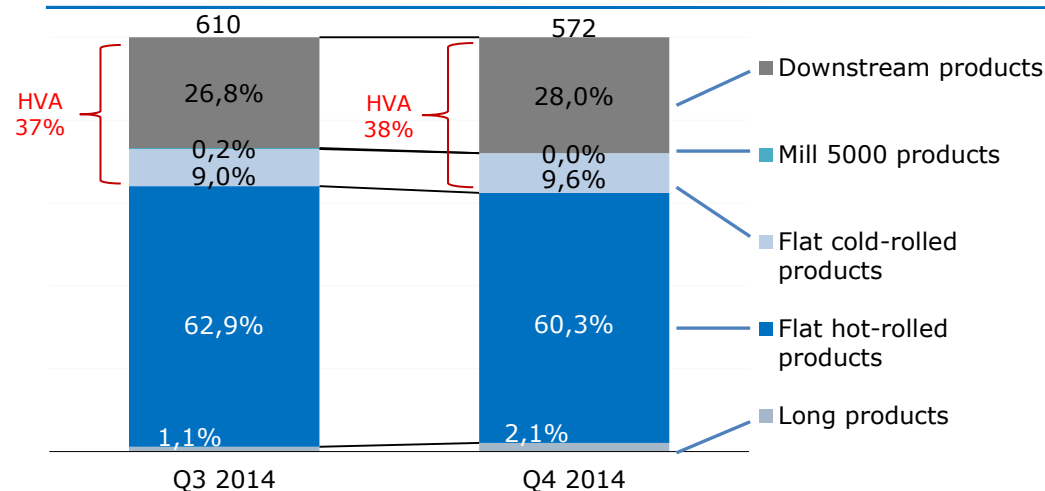


Source: MMK

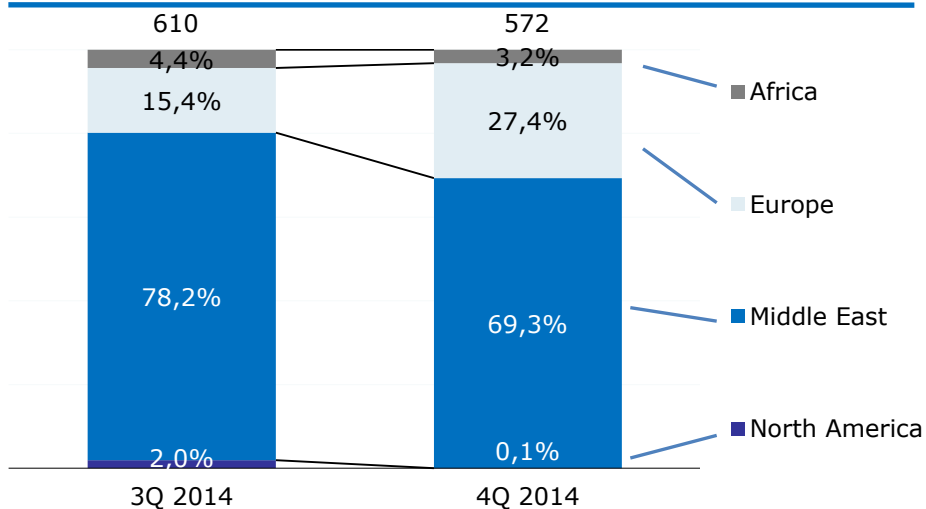
MMK GROUP POSITION ON KEY INTERNATIONAL MARKETS

- Sales on international markets in Q4 2014 decreased to 572 ths tonnes.
- Hot-rolled products continued to account for more than 60% of exports.
- The proportion of sales to Middle East market decreased to 69%, while the that to Europe significantly increased to 27%.
- These changes were mainly related to the difficult situation in the Middle East and growth of steel products exports from China.

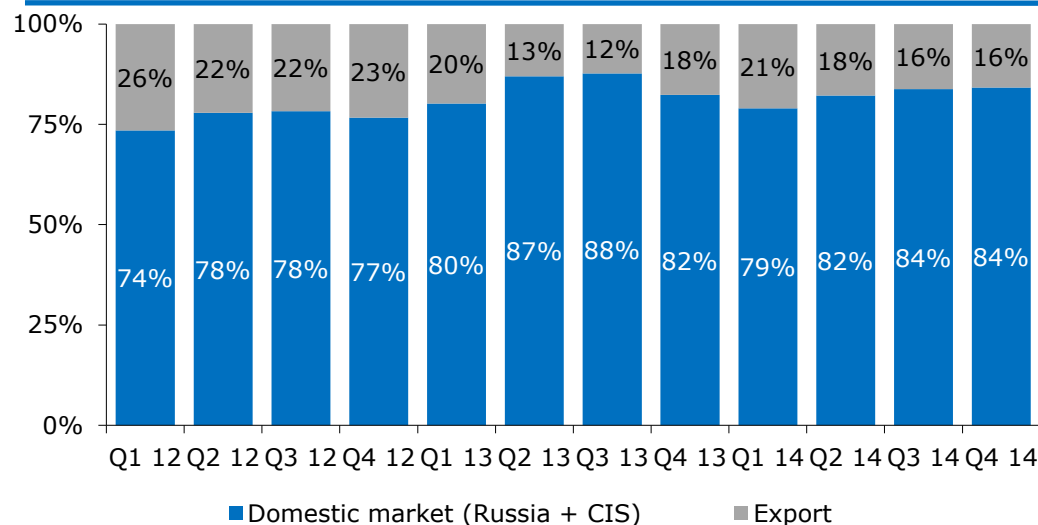
Sales structure on the international markets, ths tonnes



International sales structure by region, ths tonnes



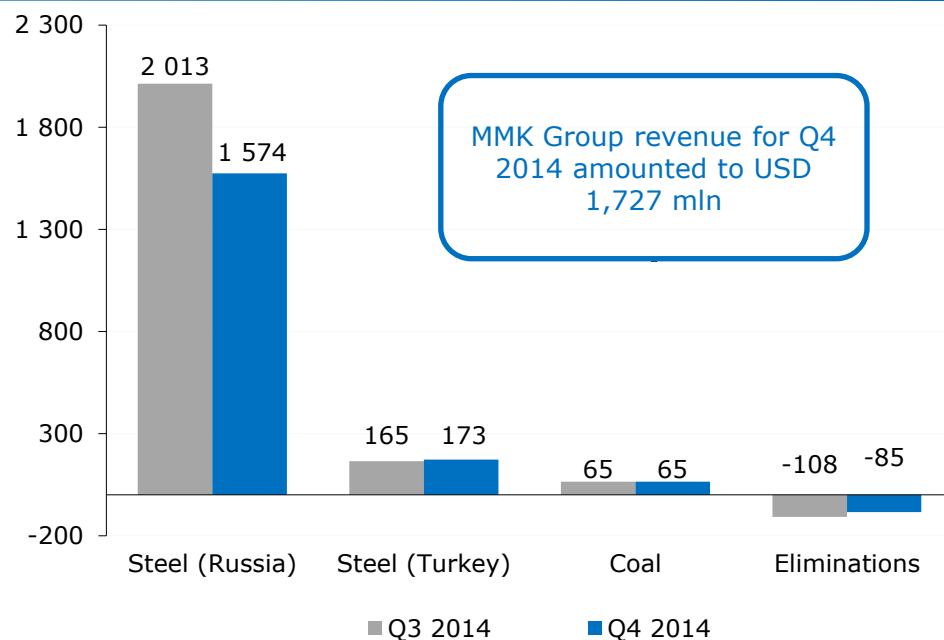
Sales share by market, ths tonnes



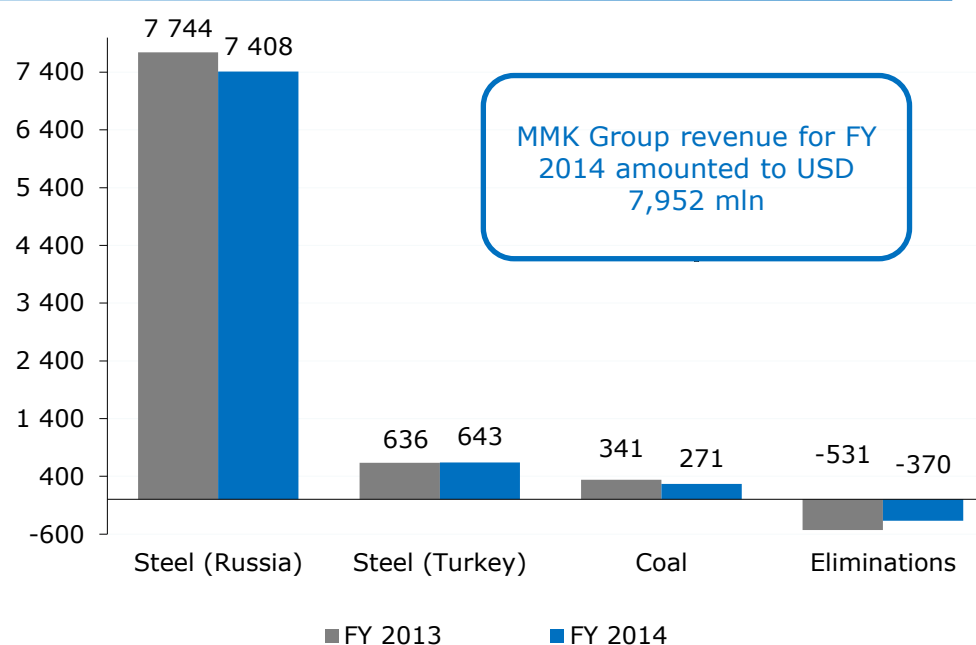
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- Revenue for Q4 2014 decreased by 19.1% q-o-q to USD 1,727 million. The key factors were seasonal decline in sales volume and decrease in prices in dollar terms.
- Revenue for FY 2014 decreased by 2.9% y-o-y. This was due to lower steel prices in 2014, which are under pressure from the continuing global excess steel capacity and decrease in iron ore prices.

Quarterly revenue dynamics, mln USD



Annual revenue dynamics, mln USD

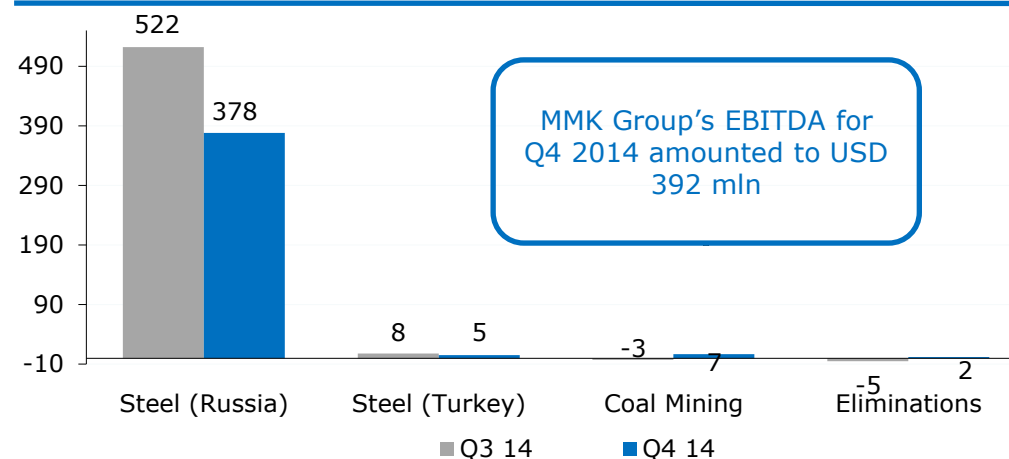


Source: MMK

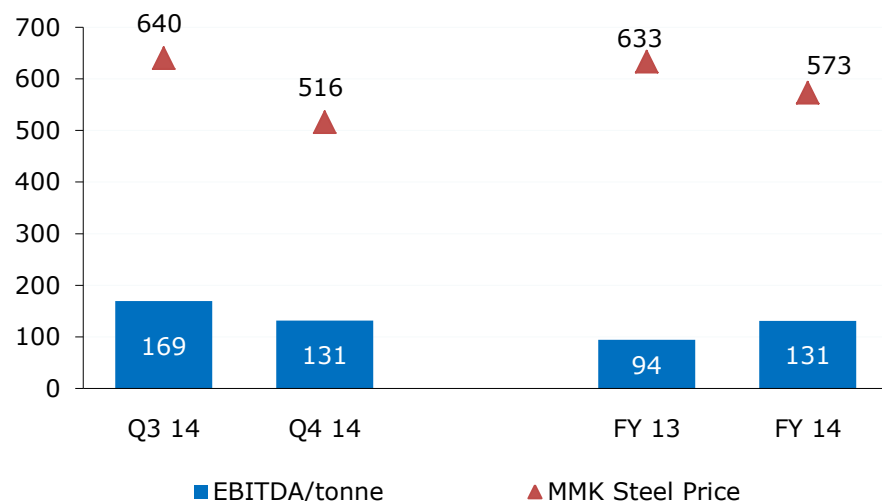
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- MMK Group's EBITDA for Q4 2014 amounted to USD 392 mln, with margin of 20.7%. The margin decreased by 1.7 p.p. q-o-q.
- MMK Group's EBITDA for FY 2014 increased by 31.4% y-o-y to USD 1,607 mln EBITDA margin for FY 2014 amounted to 20.2%.

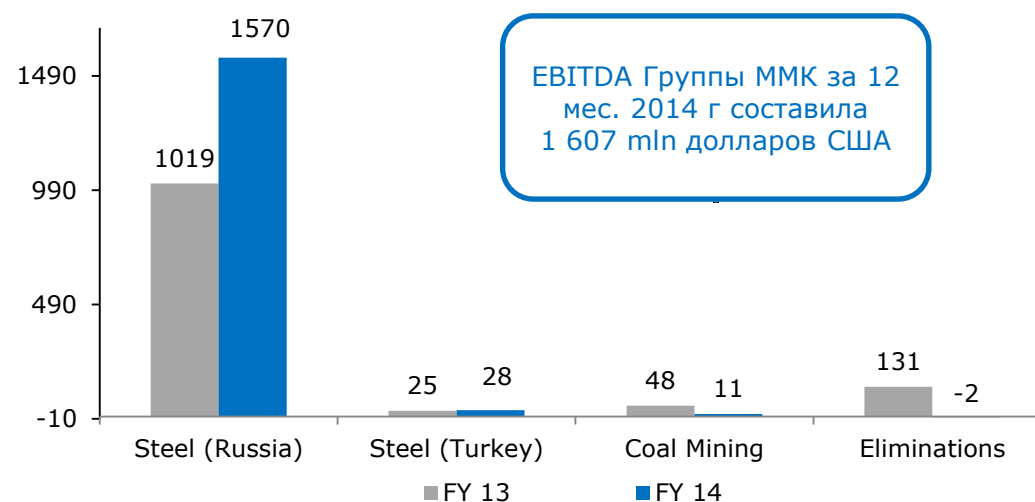
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



Annual EBITDA dynamics, mln USD

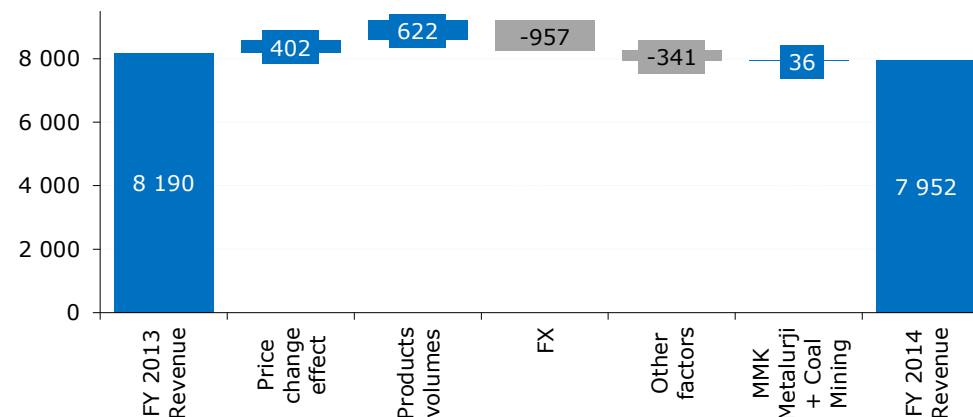


Source: MMK

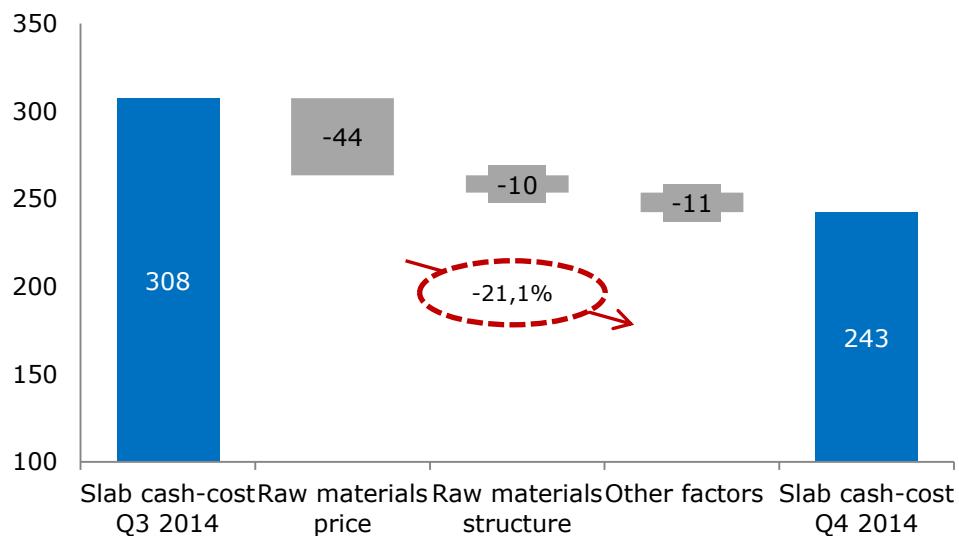
ANALYSIS OF KEY FINANCIAL HIGHLIGHTS

- The key factor affecting revenue in both Q4 2014 and FY 2014 was the rouble rate fluctuation vs the US dollar
- The cash-cost of slab decreased by 21.1% in Q4 2014 due to the decrease in prices for key raw materials as well as materials structure optimisation

MMK Group's revenue, 2014 vs 2013, mln USD

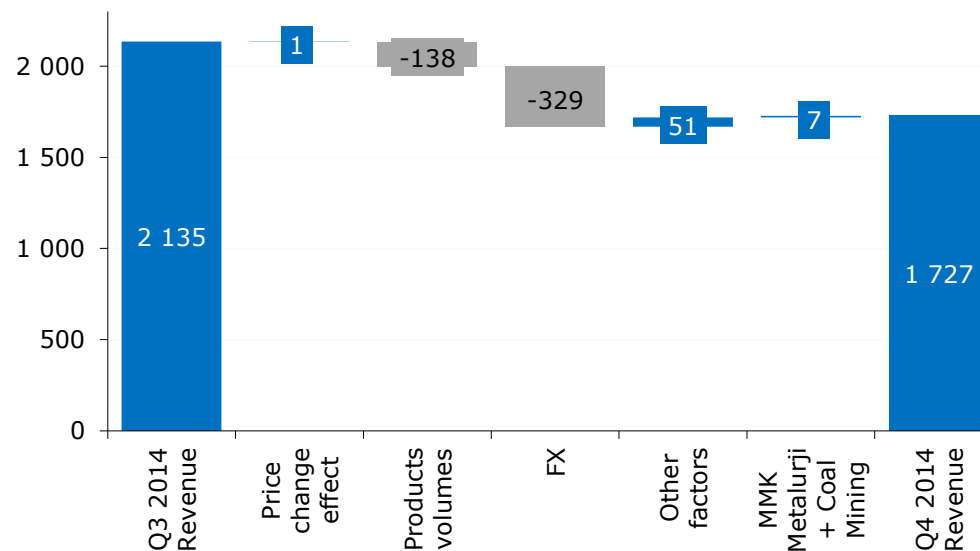


Cash-cost of slab dynamics, USD/t



Source: MMK

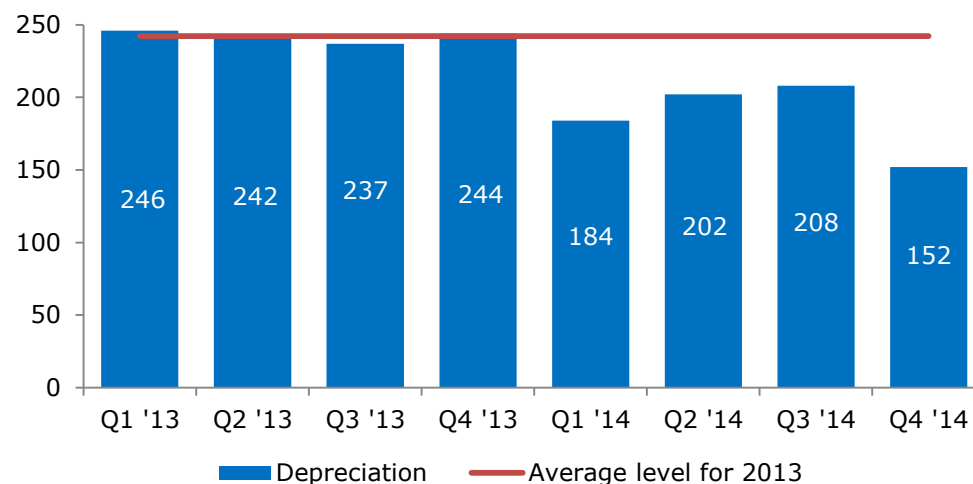
MMK Group's revenue, Q4 2014 vs Q3 2014, mln USD



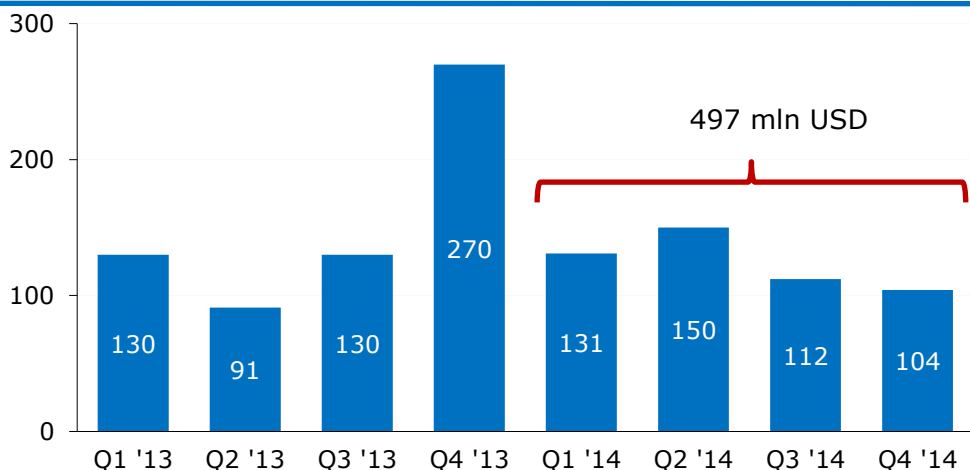
DECREASING DEPRECIATION AND CAPEX SUPPORT THE GROUP'S PROFITABILITY

- Depreciation costs in FY 2014 amounted to USD 746 mln, down by more than 23% y-o-y
- It is expected that depreciation costs in dollar terms will continue to decrease in 2015, due to the rouble devaluation vs the dollar
- MMK Group's CAPEX in 2014 amounted to USD 497 mln (down 20.1% y-o-y)

Lower depreciation costs decreases pressure on profit, mln USD

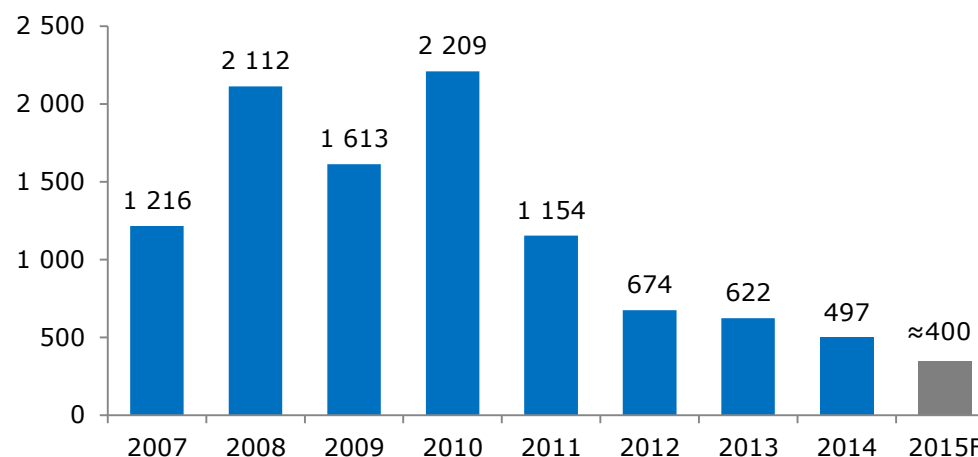


Quarterly CAPEX dynamics, mln USD

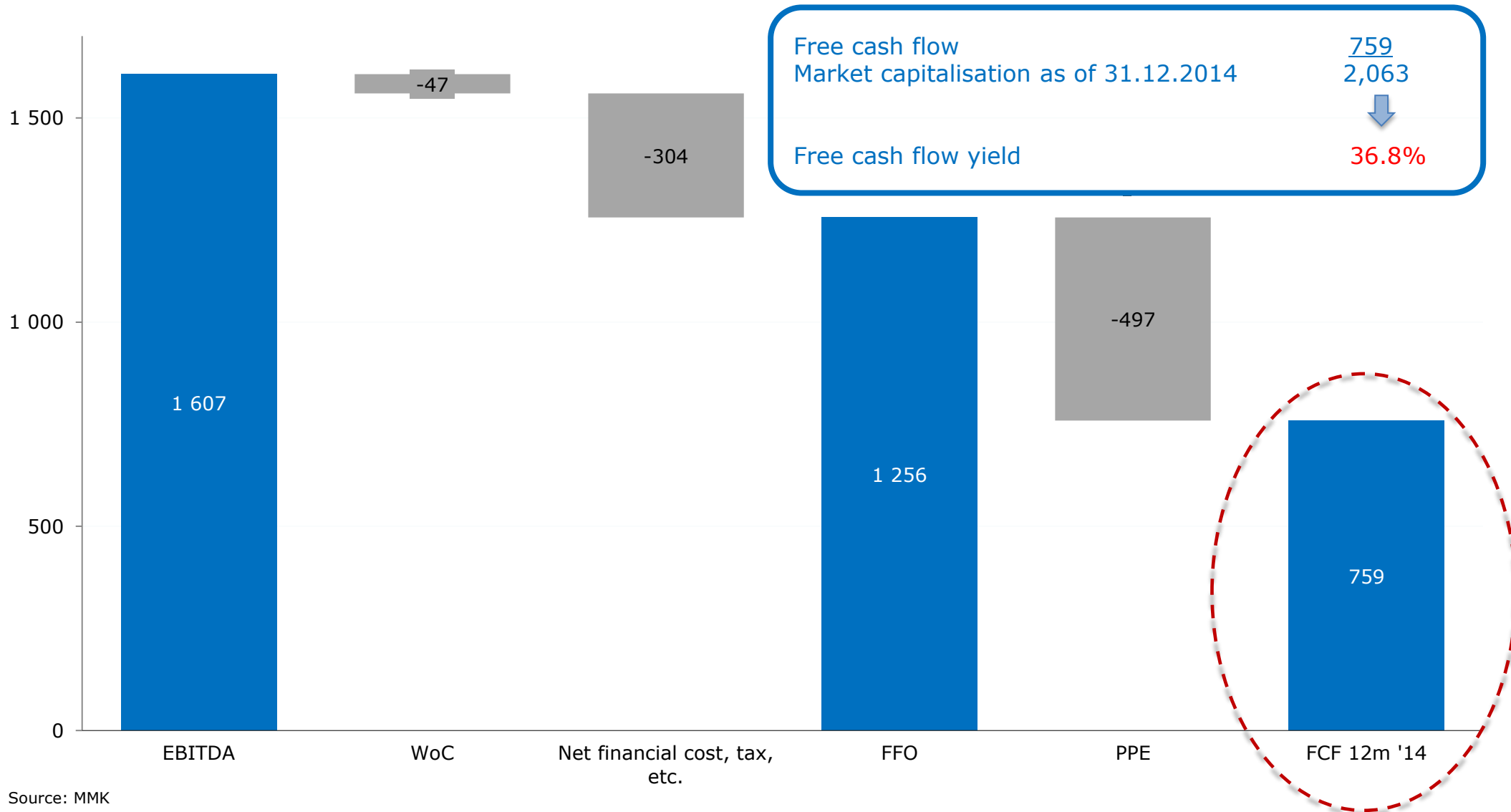


Source: MMK

CAPEX decrease following the end of investment cycle, mln USD



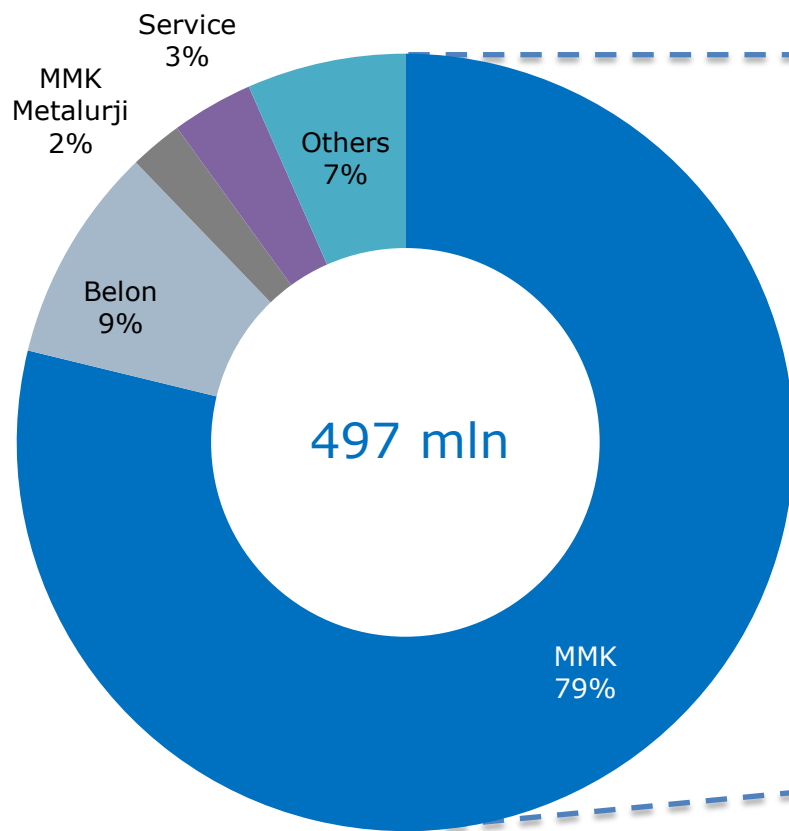
MMK BENEFITS FROM ONE OF THE HIGHEST FREE CASH FLOW YIELD IN THE SECTOR, mln USD



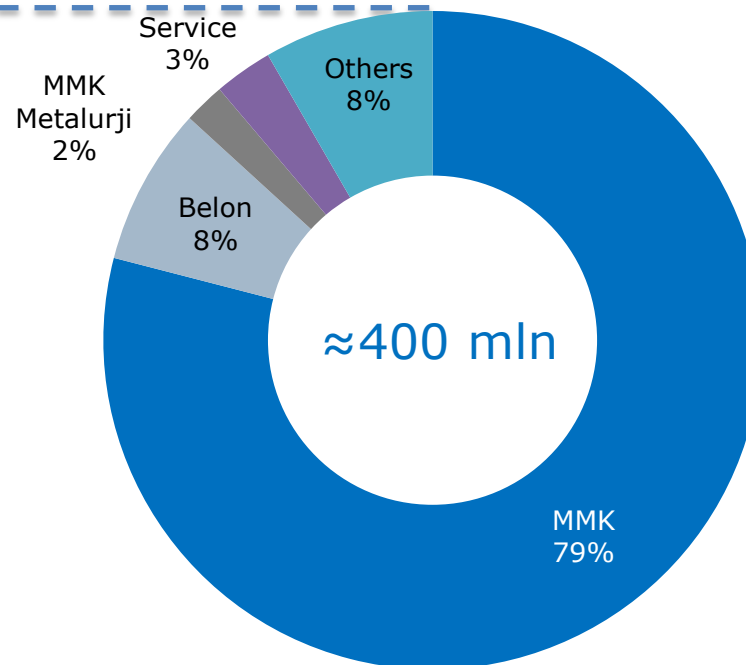
Source: MMK

LOWER CAPEX FOR HIGHER EFFICIENCY

CAPEX structure in 2014, mln USD



Planned CAPEX structure for 2015, mln USD

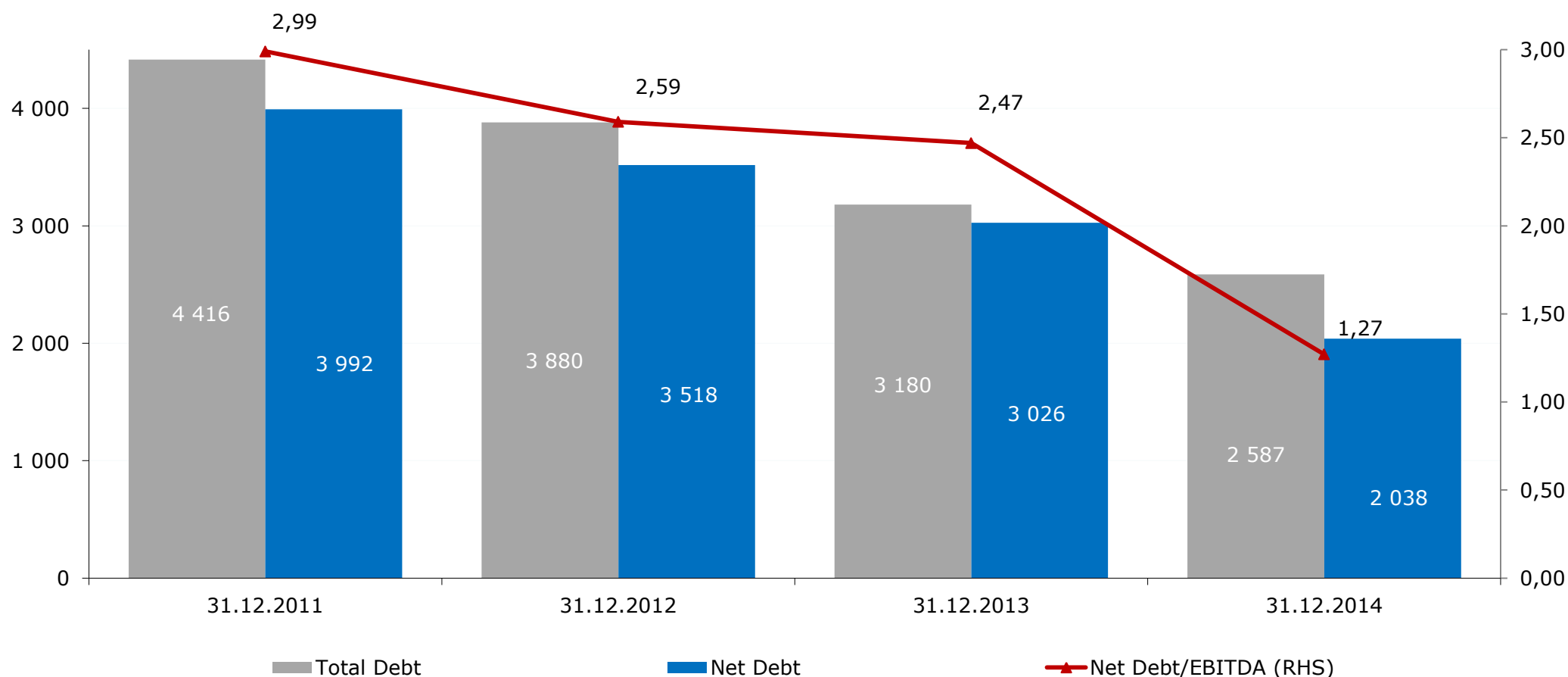


Due to the absence of major investment projects in the investment programme for the upcoming 2-3 years, more than 80% of CAPEX is denominated in roubles. The rouble devaluation will result in a decrease of that amount, in USD terms, as compared to the planned sum.

Source: MMK

HIGH OPERATIONAL PERFORMANCE SUPPORTS EFFICIENT DECREASE OF THE DEBT LOAD, mIn USD

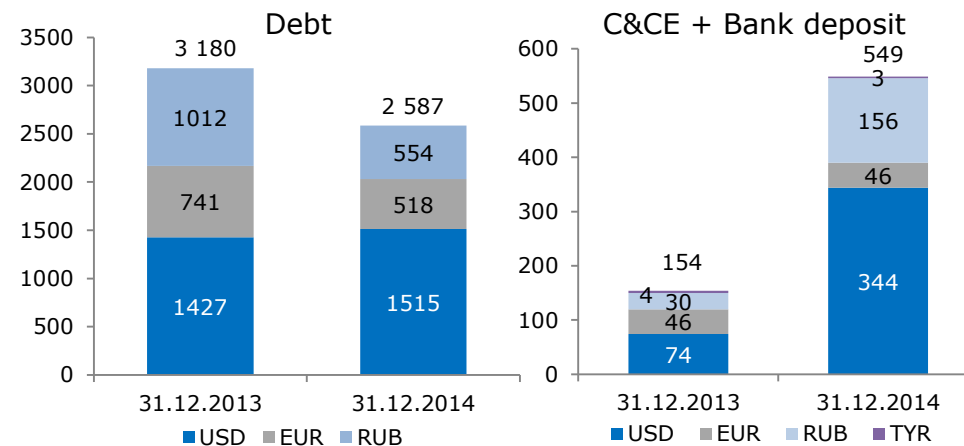
- MMK Group's net debt as of the end of 2014 decreased by USD 988 mln compared to 31.12.2013.
- At the end of 2014, net debt / EBITDA decreased to 1.27x, which the company sees as a comfortable level
- In 2015, the company plans to further decrease the debt load by using cash funds and cash flow from operations



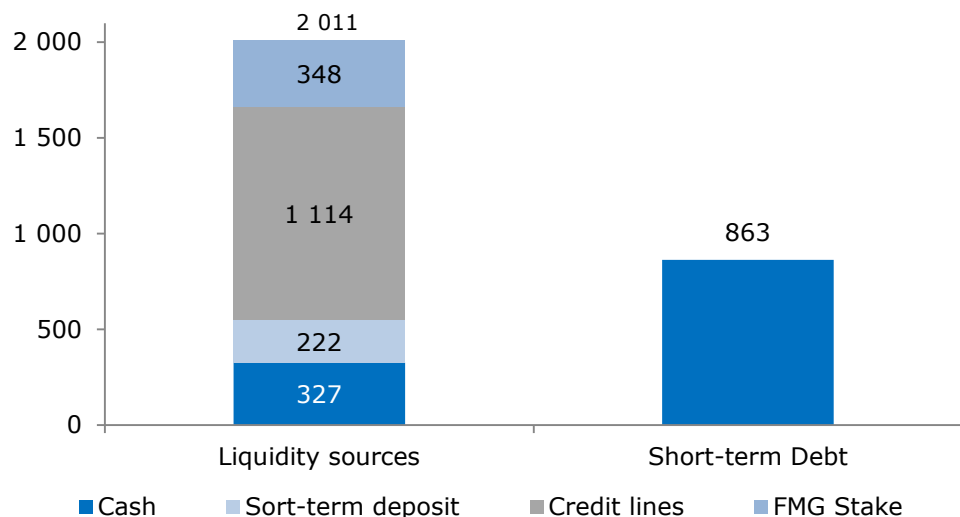
MMK GROUP'S DEBT PROFILE

- Significant rouble devaluation in December 2014 resulted in further growth of the debt share denominated in USD – 59%.
- Volume of liquid funds in the MMK Group's balance sheet significantly exceeds the short-term debt.
- Debt maturity schedule does not presume any significant onetime payments.

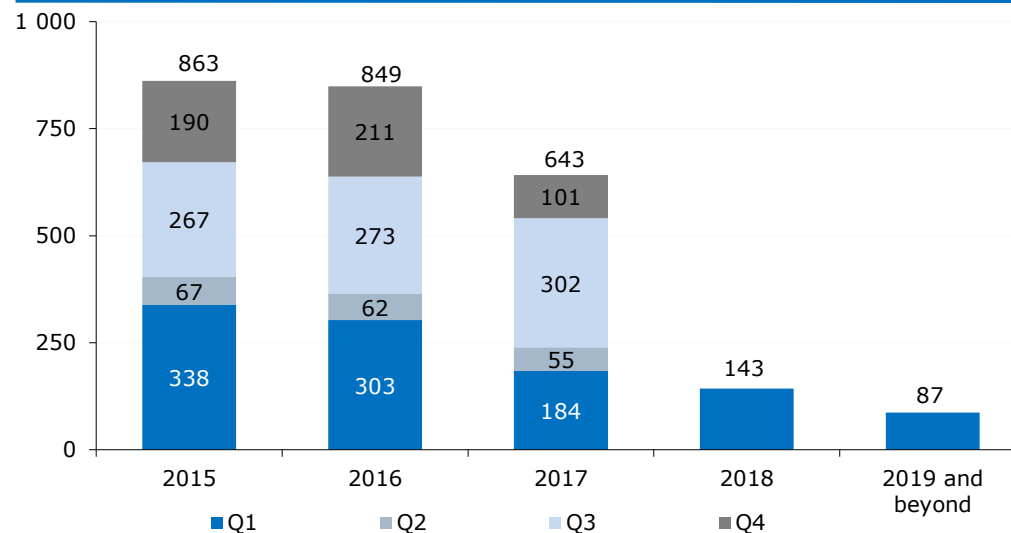
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD

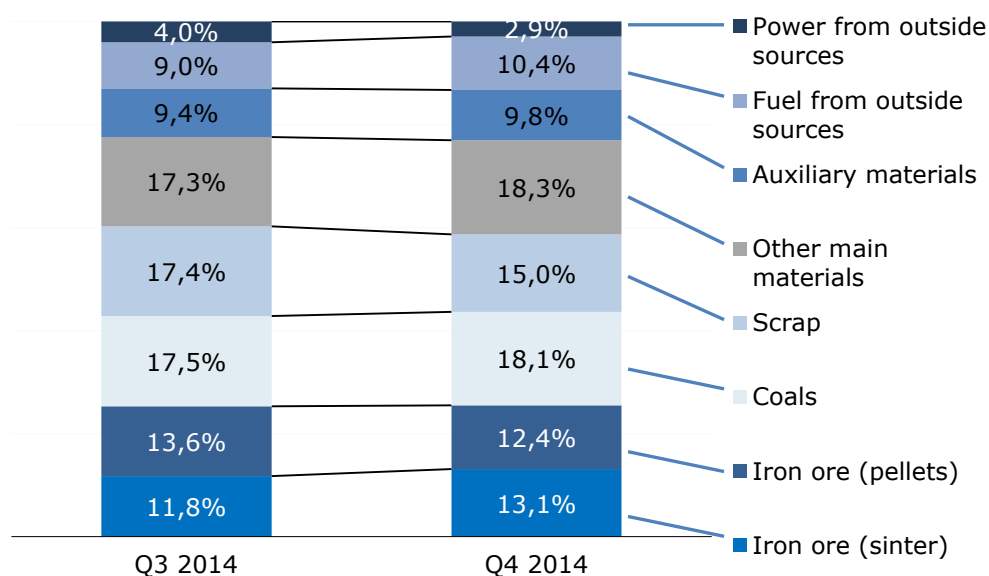


Source: MMK

STRUCTURE OF OPERATING COSTS AND CASH COSTS

- In Q4 2014, the share of iron ore and key materials (ferroalloys, zinc, etc.) increased in the structure of OJSC MMK's material costs. At the same time, the share of pellets and metal scrap decreased
- The decrease in operating costs in Q4 2014 by 18% q-o-q was due to the continued cost optimisation programme, decreasing sales volume, as well as the rouble devaluation
- Higher share of sinter and lower share of pellets in MMK's Q4 2014 material costs resulted from completion of general maintenance of sintering facilities in late Q3 2014 followed by increased sinter output replacing pellets in the blast furnace charge.

OJSC MMK material costs, USD/t



Source: MMK

MMK Group operating costs, mln USD

	Q4 14	Q3 14	+/-	%
Cost of sales	1 305	1 614	-309	-19%
Selling and distribution expenses	112	127	-15	-12%
General and administrative expenses	74	88	-14	-16%
Other operating (expenses)/income, net	5	1	4	400%
Total operating costs	1 496	1 830	-334	-18%

COMMENT ON MARKET SITUATION

- In Q1 2015, demand for the company's products remains high, giving a forecast growth in sales of up to 3-4% q-o-q during the quarter.
- The rouble price on the domestic market has been growing since November 2014, and has now reached export parity level.
- Low global prices for ore, surplus steel capacities in the world (at least 77% capacity utilisation rate) and growing steel exports from China continue to put pressure on steel prices, resulting in a decline in export prices during Q1 2015.
- Q1 2015 sees rising rouble prices for coal (by 25-30%). This rise in the company's costs is balanced out by iron ore prices (currently, Platts index is below USD 60 per tonne).

Source: MMK

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