



IFRS financial statements for Q2 and H1 2016

05 August 2016



Q2 2016 Financial Results

Revenue	USD 1,552 mln	●	up 47.8% q-o-q
Cost of sales	USD 1,025 mln	●	up 29.9% q-o-q
EBITDA	USD 560 mln	●	up 95.1% q-o-q
EBITDA margin	36.1%	●	up 8.8 p.p. q-o-q
Net profit	USD 329 mln	●	up 109.6% in Q1 2016
Cash cost of slab	USD 200 per tonne	●	up 20.5% q-o-q
Free cash flow (FCF)	USD 233 mln	●	up 142.7% q-o-q
CAPEX	USD 88 mln	●	up 12.8% q-o-q

H1 2016 Financial Results

Revenue	USD 2,602 mln	●	down 17.6% y-o-y
Cost of sales	USD 1,814 mln	●	down 14.6% y-o-y
EBITDA	USD 847 mln	●	down 12.0% y-o-y
EBITDA margin	32.6%	●	up 2.1 p.p. y-o-y
Net profit	USD 486 mln	●	up 3.8% y-o-y
Net debt of MMK Group	USD 688 mln	●	down 38.8% as compared to 31.12.2015
Net debt / EBITDA	0.44x	●	as compared to 0.67x as of 31.12.2015
Free cash flow (FCF)	USD 329 mln	●	down 10.8% y-o-y
CAPEX	USD 166 mln	●	up 7.1% y-o-y



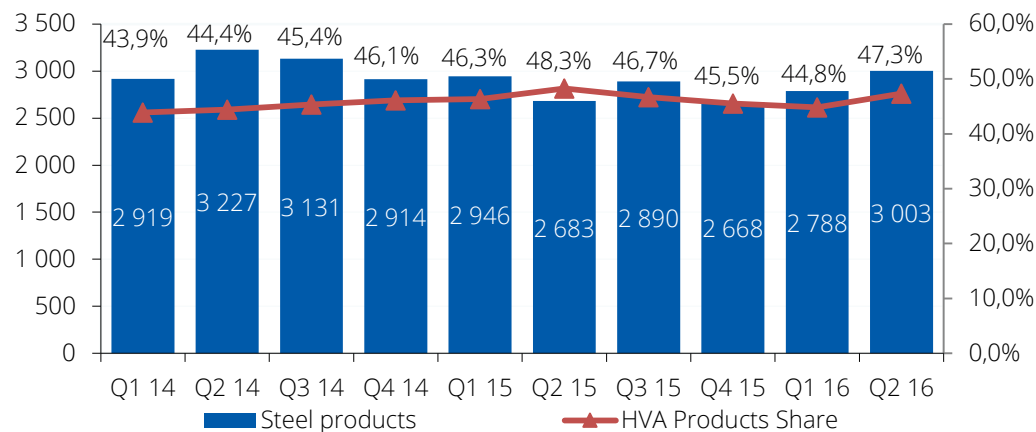
Key production indicators, ths tonnes

	Q2 2016	Q1 2016	%	H1 2016	H1 2015	%
Pig iron	2,455	2,403	2.2%	4,859	4,935	-1.5%
Steel (output), including	3,183	3,025	5.2%	6,208	6,197	0.2%
OJSC MMK	3,183	3,025	5.2%	6,208	6,197	0.2%
MMK Metalurji	0	0	-	0	0	-
Group's finished products, including	3,003	2,788	7.7%	5,790	5,628	2.9%
OJSC MMK	2,936	2,709	8.4%	5,644	5,521	2.2%
MMK-Metiz*	107	93	14.7%	200	203	-1.9%
MMK Metalurji*	213	202	5.7%	415	384	8.1%
Group's HVA products	1,420	1,249	13.7%	2,668	2,659	0.3%
Belon coal concentrate	629	794	-20.7%	1,423	1,295	9.9%

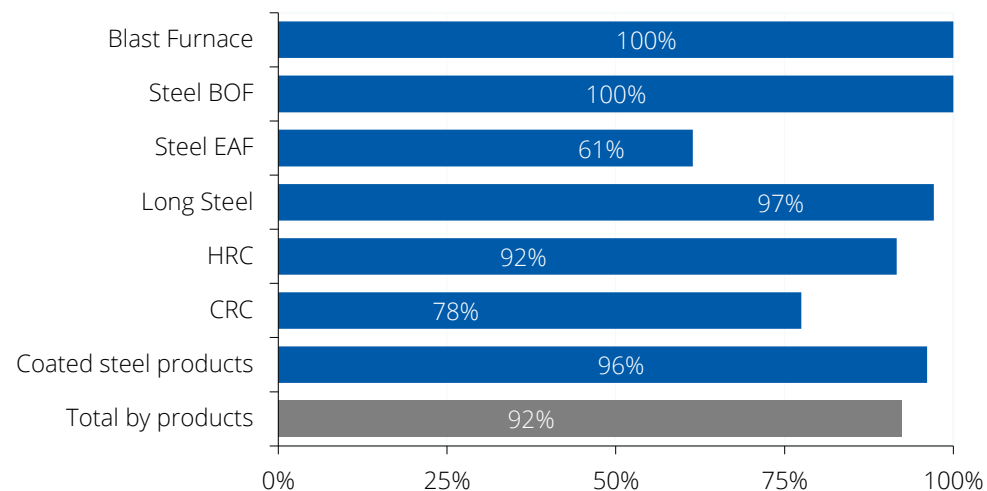
- MMK Group's finished steel products output in Q2 2016 was up 5.2% q-o-q.
- In Q2 2016 MMK Group increased sales of all types of High Value Added (HVA) steel products. As a result overall sales of HVA products amounted to 1,420 thousand tonnes (13.7% up q-o-q). The share of HVA products in total output volume was 47.3%.
- Total steel-making capacity utilisation rate at the main production site in Magnitogorsk in Q2 2016 was approx. 90%.

* - incl. made from MMK steel

MMK Group finished products dynamics, ths t



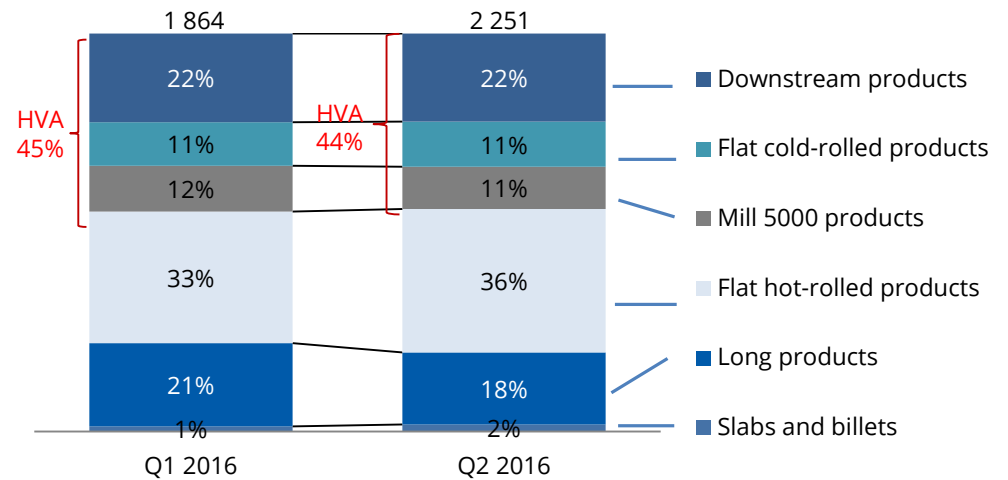
Key capacities utilisation rates in Q2 2016, %



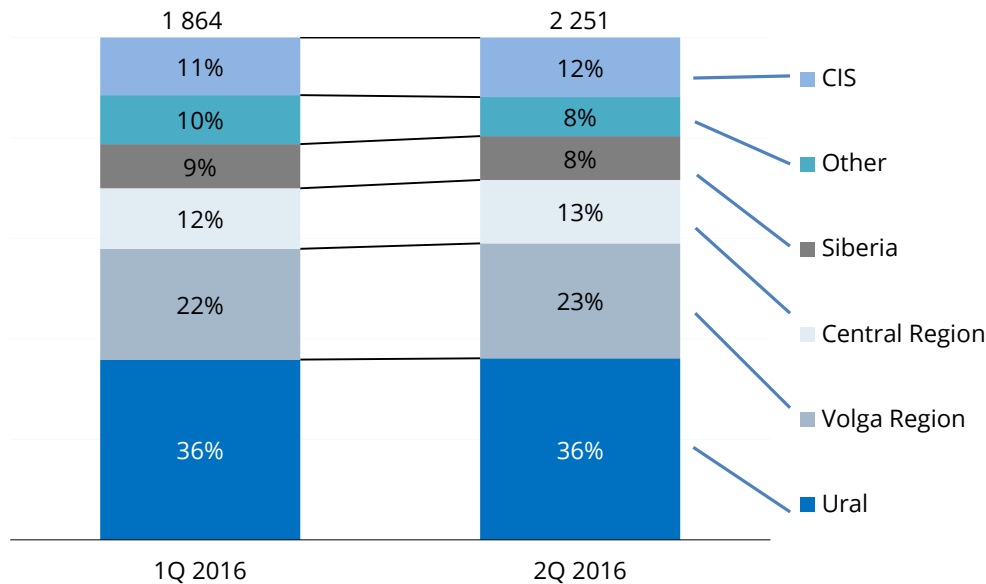


- Total sales volume on the Russian and CIS market in Q2 2016 was 2,251 ths tonnes, up 387 ths tonnes, or 20.8% q-o-q. This was due to a seasonal recovery in domestic demand for steel.
- Sales of thick plate produced at Mill 5000 in Q2 2016 increased by 22 ths tonnes, or 11.2%, q-o-q, while its share in the overall structure decreased, as the Mill's utilization rate was close to maximum and overall sales volumes grew faster due to HRC sales.
- Shipments to pipemakers grew 191 ths tonnes or nearly 50% q-o-q due to a recovery in consumption to normal levels following a weak Q1 2016.
- In Q2 2016, shipments to the construction industry increased as the construction season started.

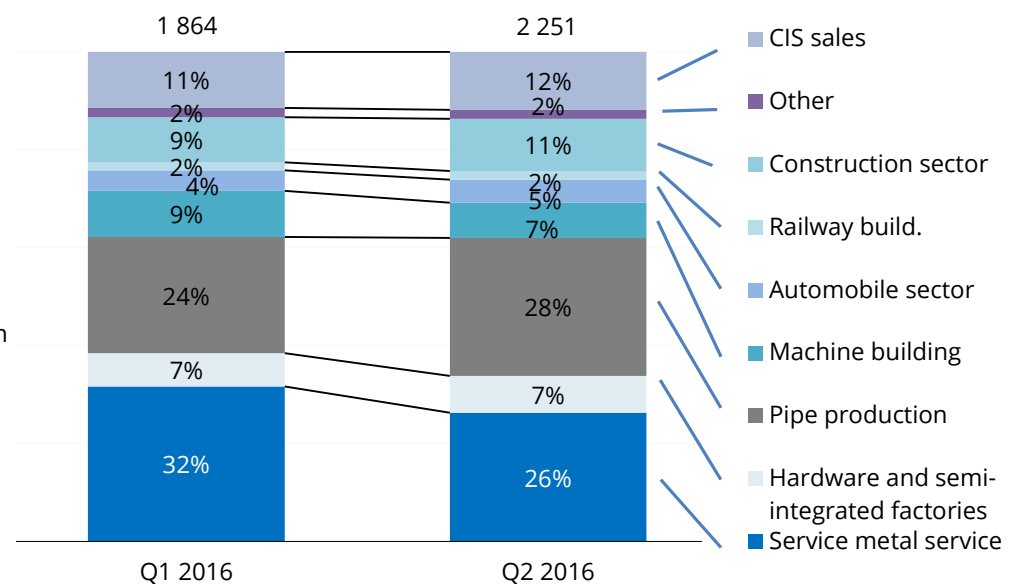
Sales structure on the Russian and CIS market, ths tonnes



Russia and CIS market sales by region, ths tonnes



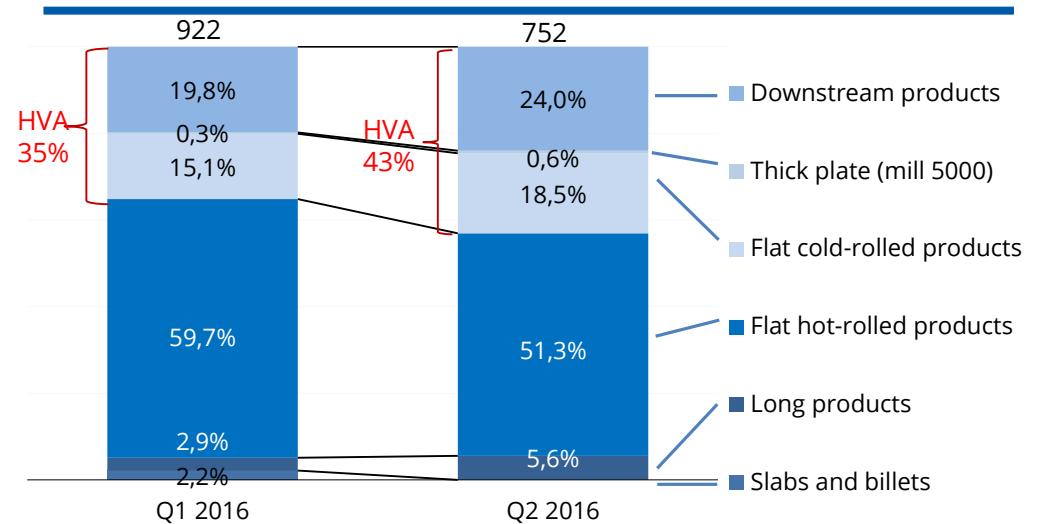
Russia and CIS market sales by sector, ths tonnes



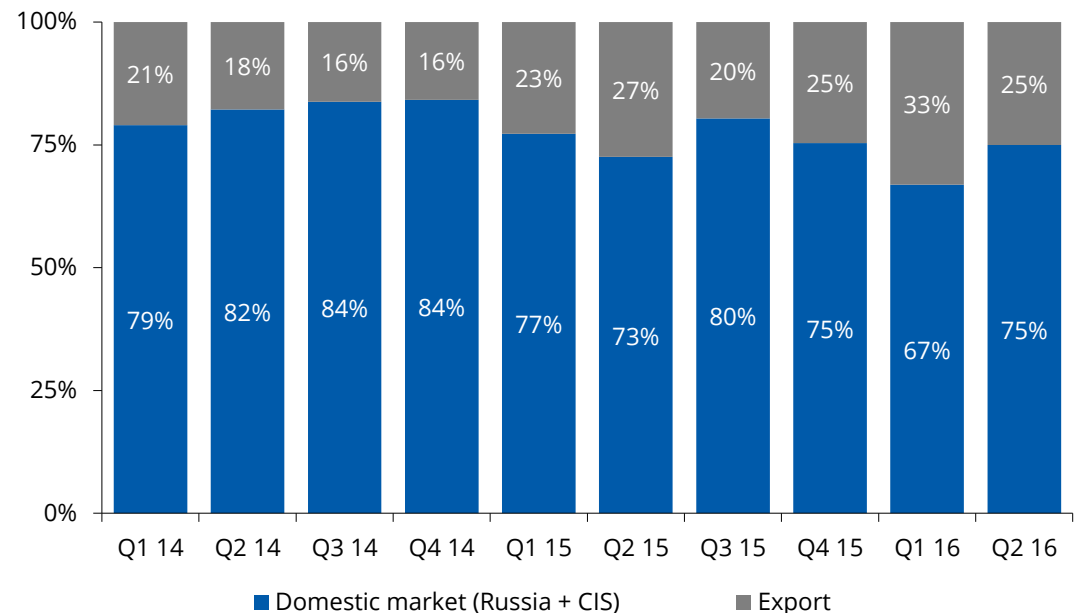


- Sales on international markets in Q2 2016 amounted to 752 ths tonnes, down 170 ths tonnes, or 18.4% q-o-q. This decrease was due to seasonal demand recovery on the domestic market, which is the priority for the Company.
- The share of export sales in the overall sales structure in Q2 2016 declined to 25%, compared to 33% in the previous quarter.
- In Q2 2016, the Company increased the share of sales to the Middle East following the settlement of an issue related to anti-dumping duties for shipments of hot-rolled steel. Turkey is the main market for MMK in this region. Sales to Iran were weak in H1 2016 due to higher competition with suppliers from China.

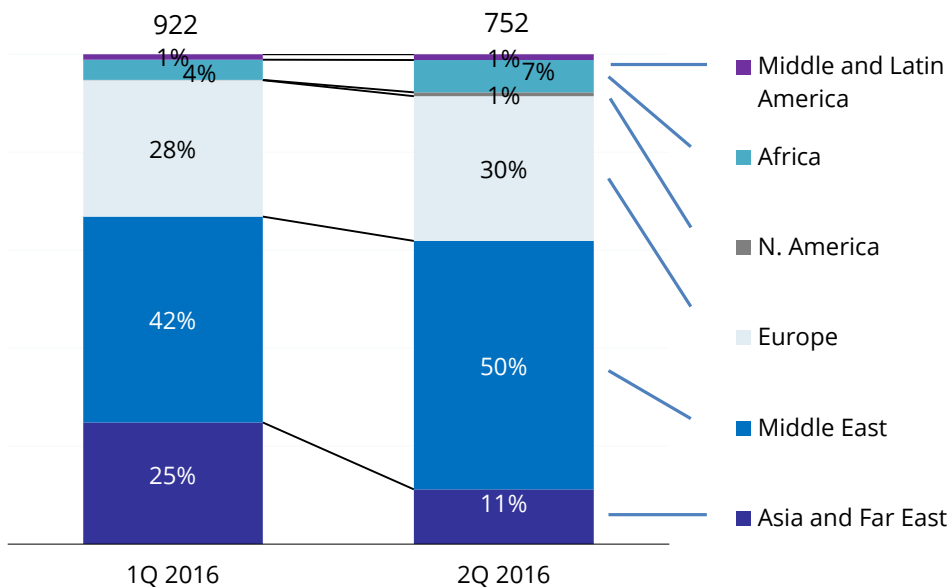
Sales structure on international markets, ths tonnes



Sales share by market, ths tonnes



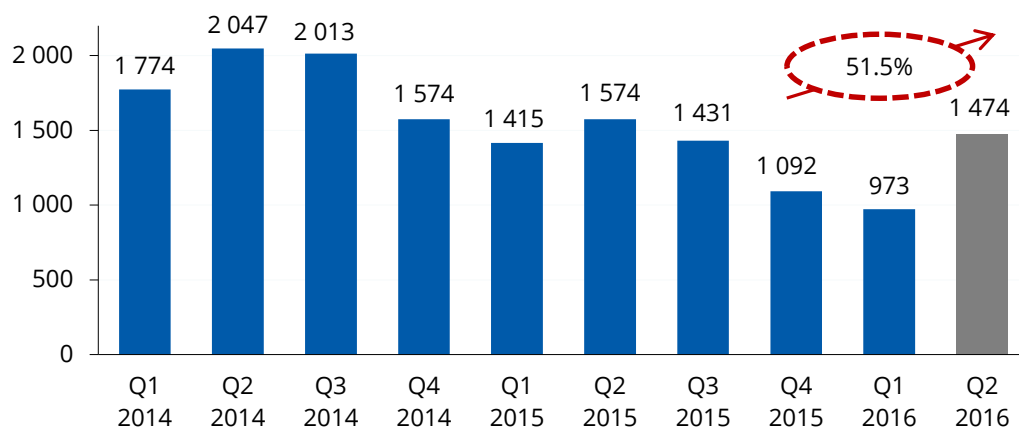
International sales structure by region, ths tonnes



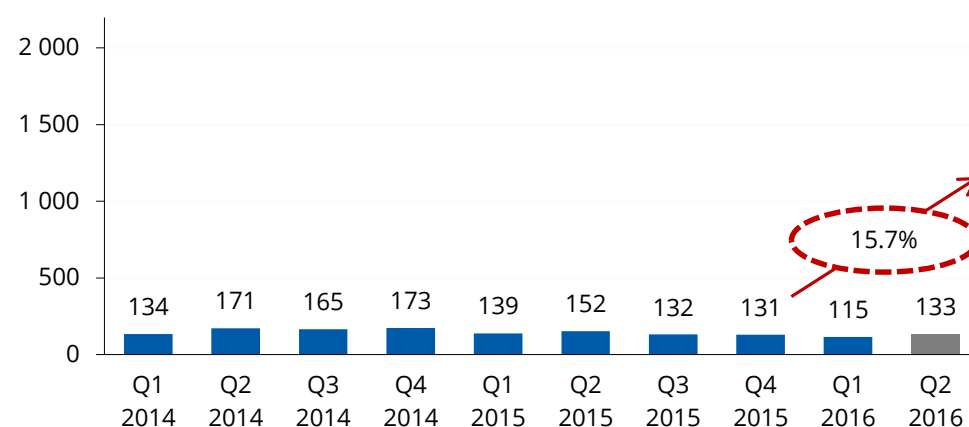


- Revenue for Q2 2016 amounted to USD 1,552 mln, up 47.8% q-o-q. This was primarily due to higher sales volumes and a significant increase in the average sales price in US dollars (up 38.2% q-o-q) as a result of an increase in global prices for steel and the depreciation of the ruble.

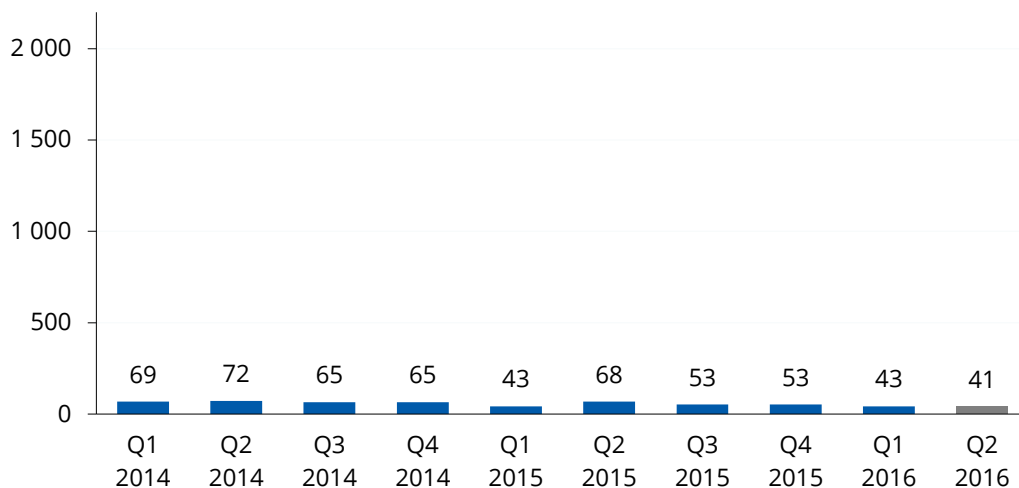
Steel segment revenue (Russia), mln USD



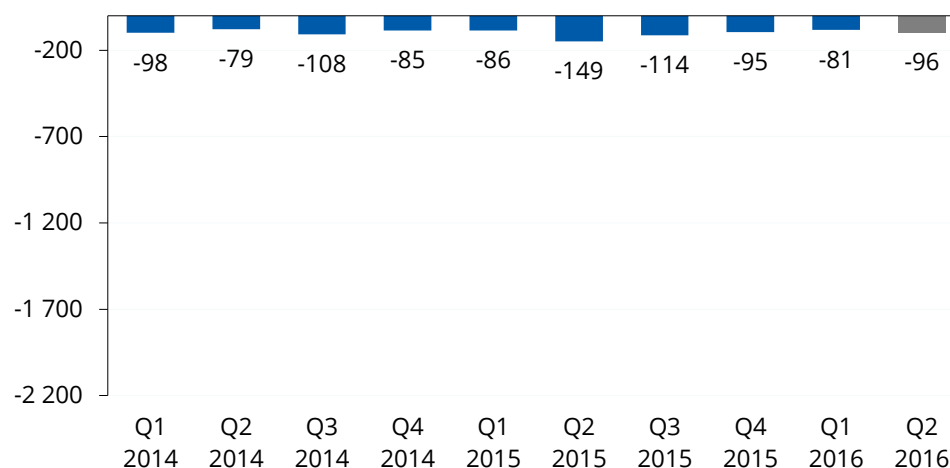
Steel segment revenue (Turkey), mln USD



Coal segment revenue, mln USD



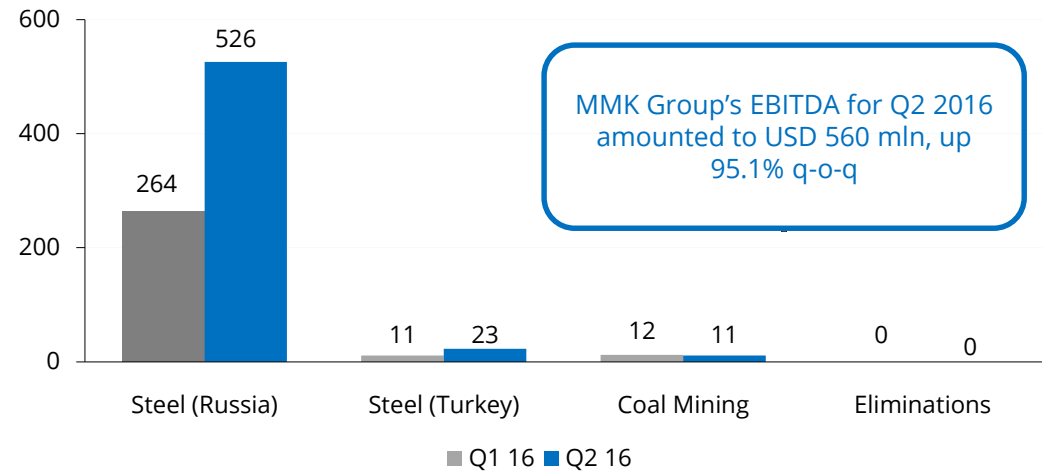
Consolidation, mln USD



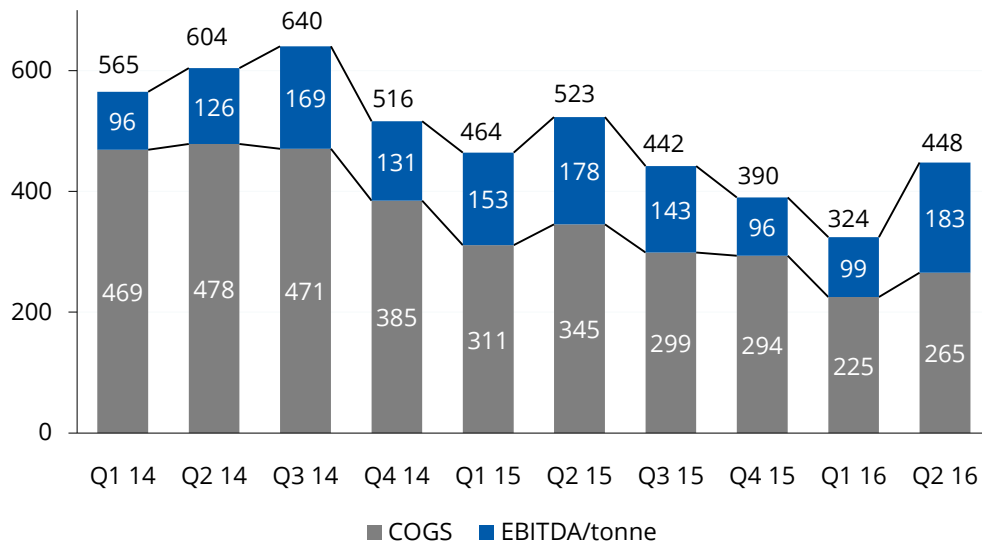


- Average sales price in Q2 2016 increased significantly due to higher global steel prices, seasonal recovery of demand and improved sales structure.
- EBITDA for the steel segment (Russia) in Q2 2016 increased 99.2% q-o-q. One-off factors affecting this indicator included the effect of the sale of some of MMK's shares in FMG worth USD 77 mln. Excluding this, EBITDA per tonne of metal was USD 157.
- EBITDA for the steel segment (Turkey) in Q2 2016 more than doubled to USD 23 mln due to efficient capacity utilization rates for high-margin products and favourable market situation.

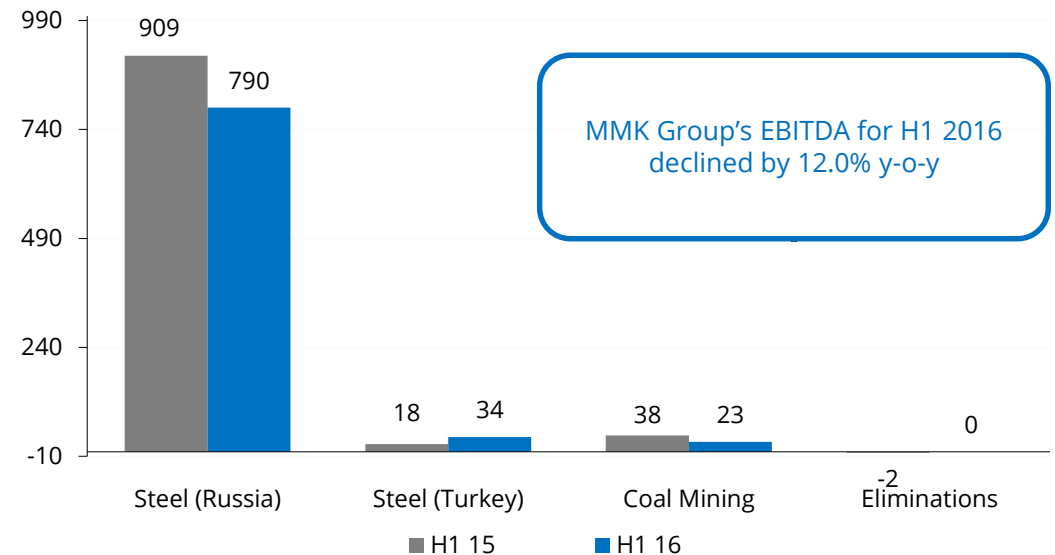
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



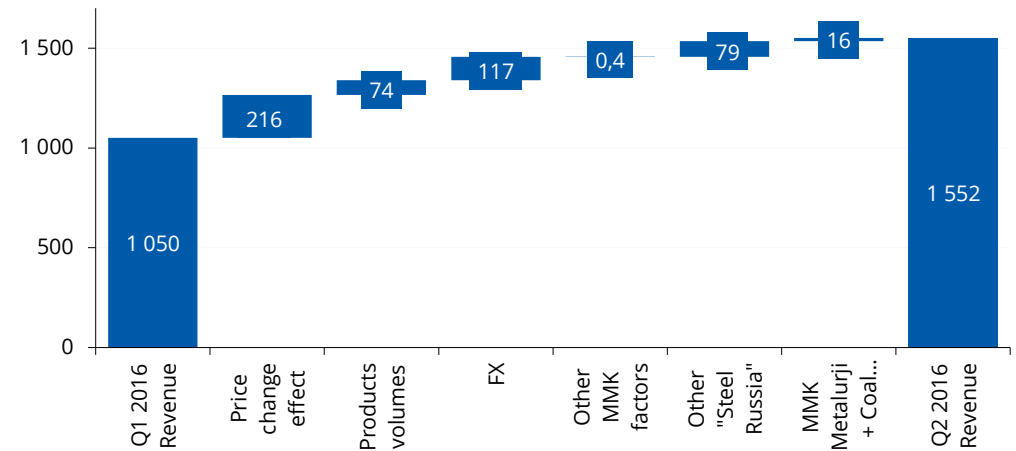
Annual EBITDA dynamics, mln USD



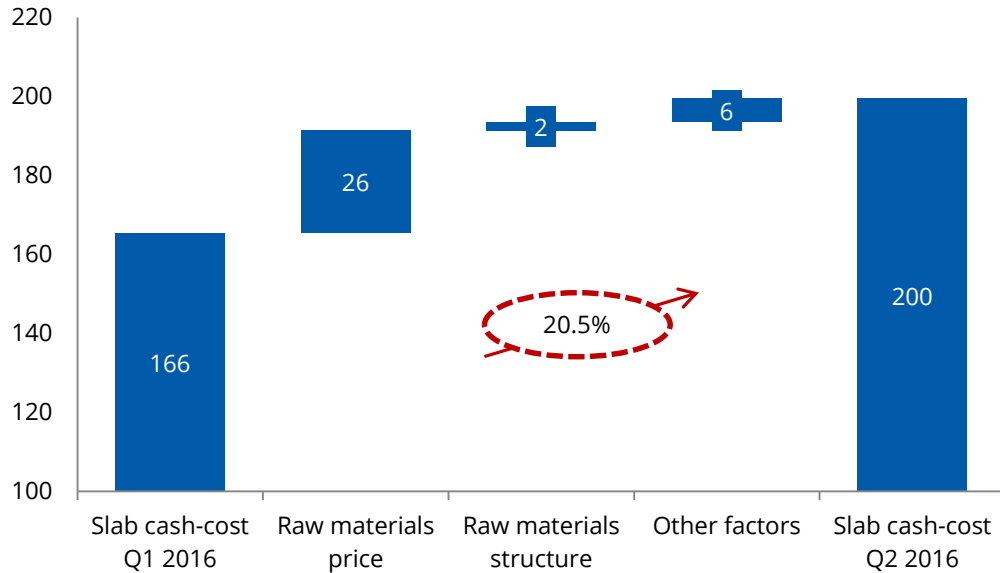


- Key factors impacting revenue in Q2 2016 were higher steel prices and sales volumes, as well as FX rate changes.
- In Q2 2016, the Company's profit more than doubled q-o-q to USD 329 mln. Key one-off factors included an FX gain of USD 29 mln and the effect from the sale of the FMG shares of USD 77 mln.
- The cash cost of slab increased by USD 34 per tonne or 20.5% in Q2 2016. This growth was mainly (USD 23 per tonne) due to a weaker ruble rate vs US dollar.

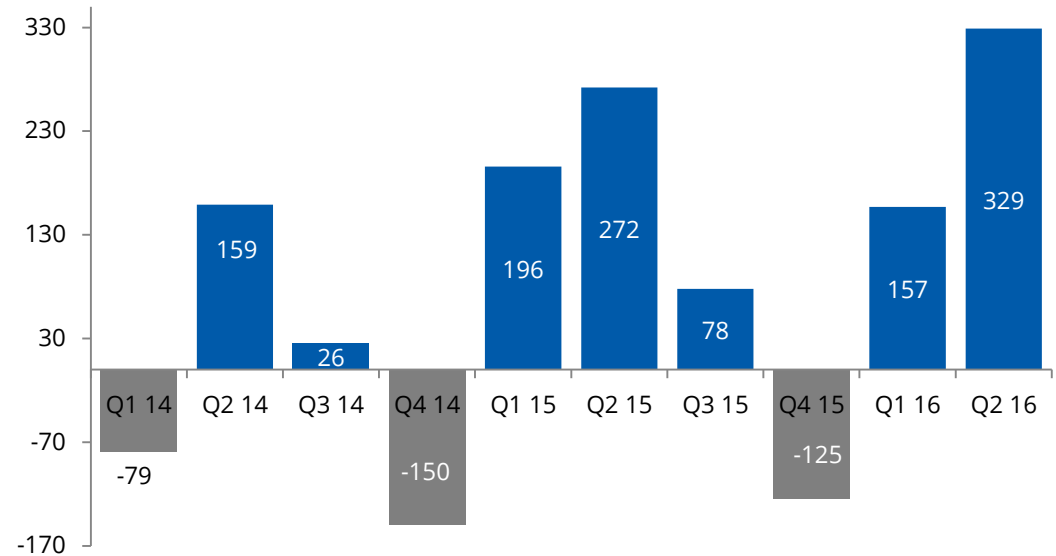
Analysis of revenue, Q2 2016 q-o-q, mln USD



Cash-cost of slab dynamics, USD/t



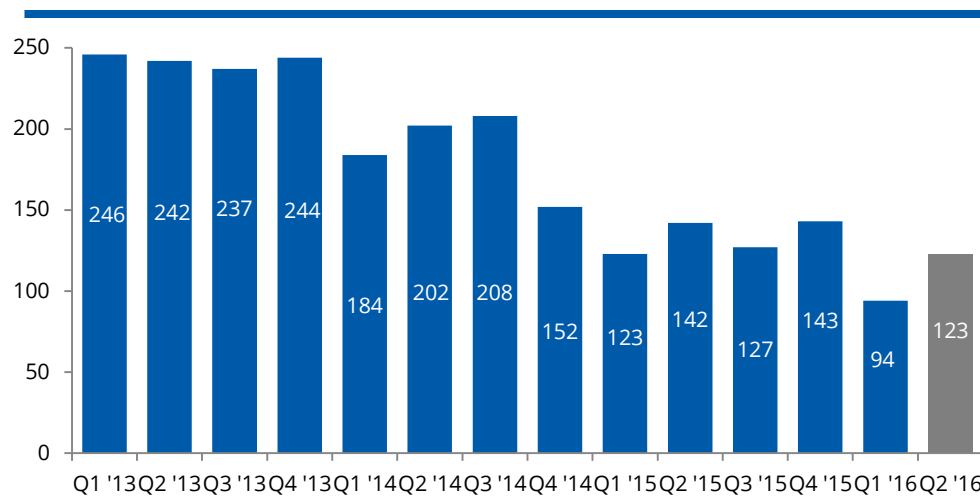
Net profit dynamics, mln USD



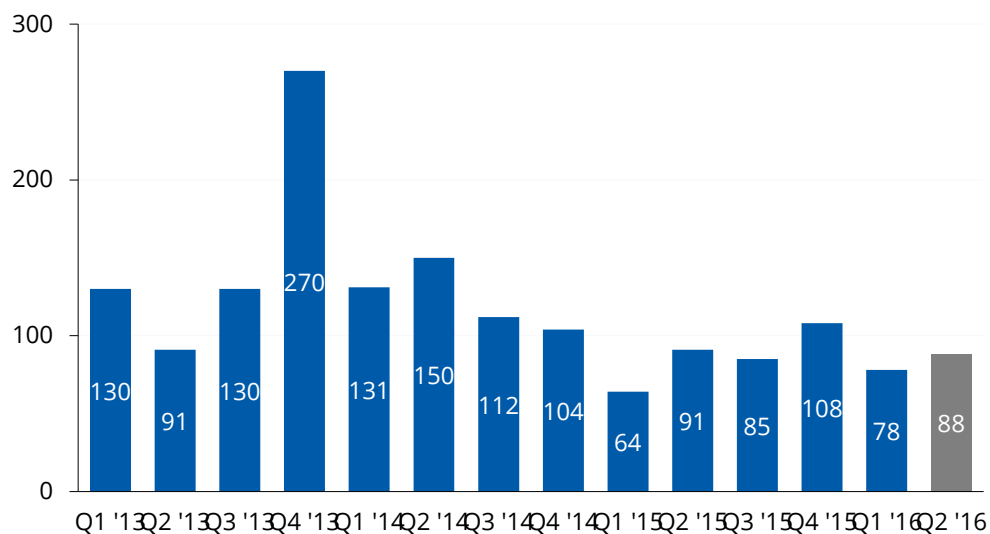


- MMK Group's capex in Q2 2016 amounted to USD 88 mln. The increase on the previous quarter was due to scheduled maintenance at a blast furnace №4 and convertor.
- The increase in depreciation in Q2 2016 vs the previous quarter was mainly due to FX rate changes.
- In 2016, capex will amount to approx. USD 400 mln, closer to the lower limit of the earlier reported USD 0.4-0.5 bln range.

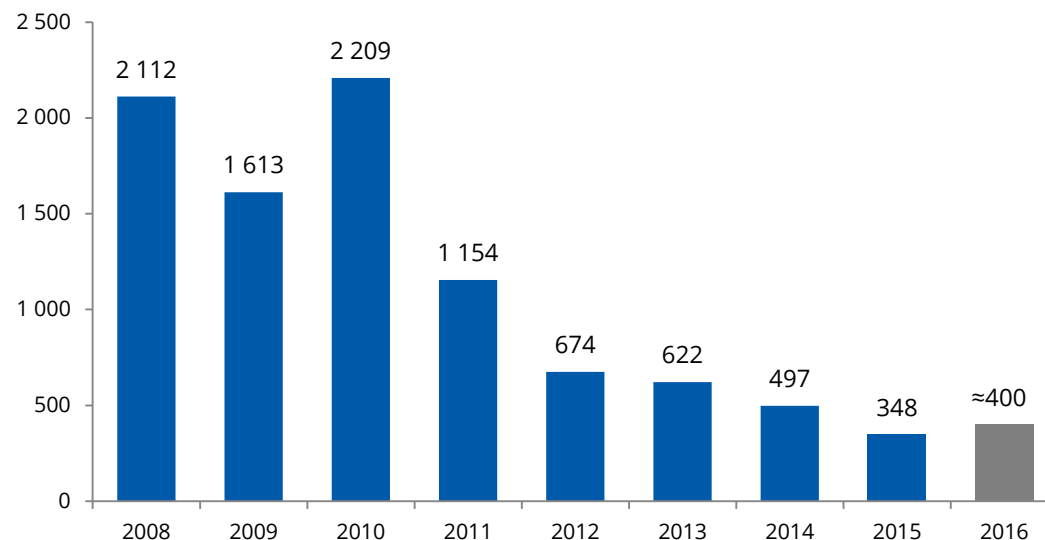
Depreciation dynamics, mln USD



Quarterly CAPEX dynamics, mln USD

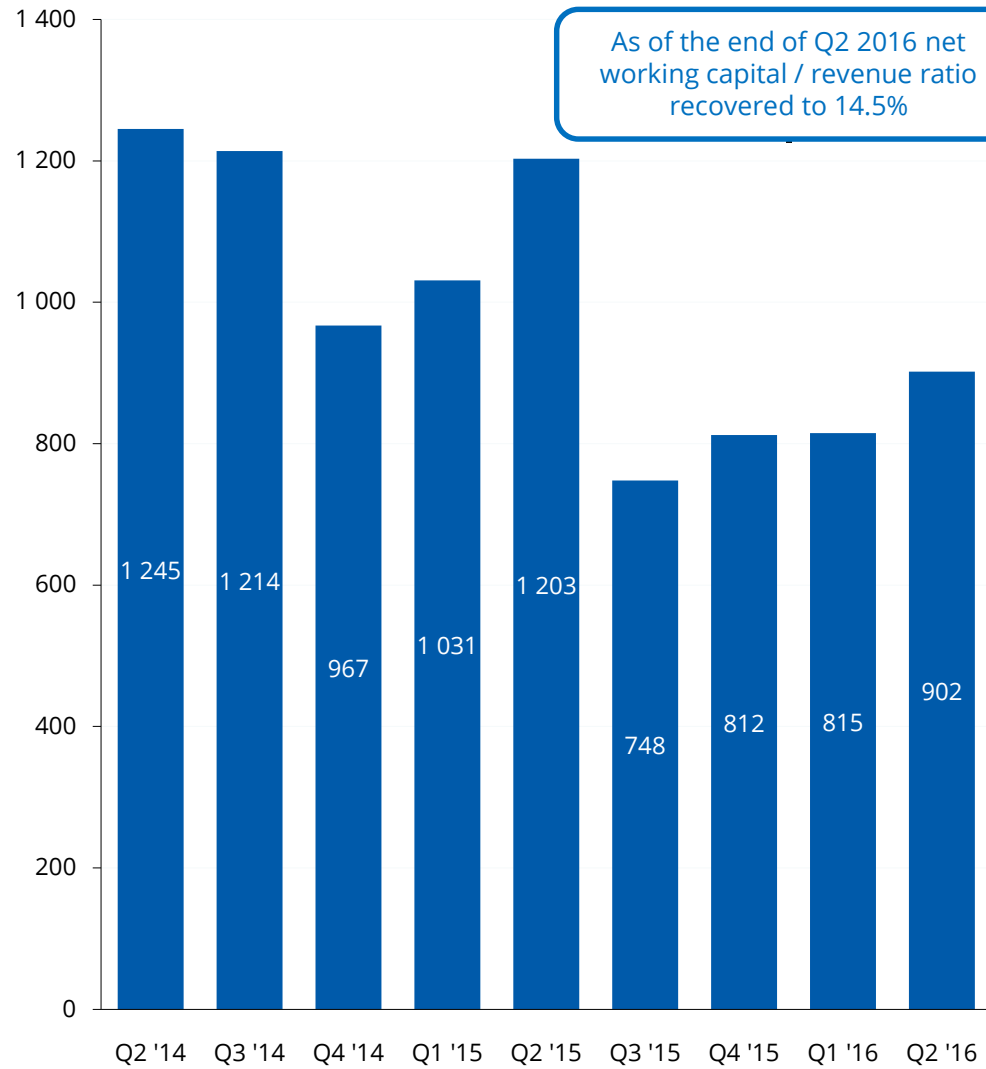


CAPEX decrease following the end of the investment cycle, mln USD

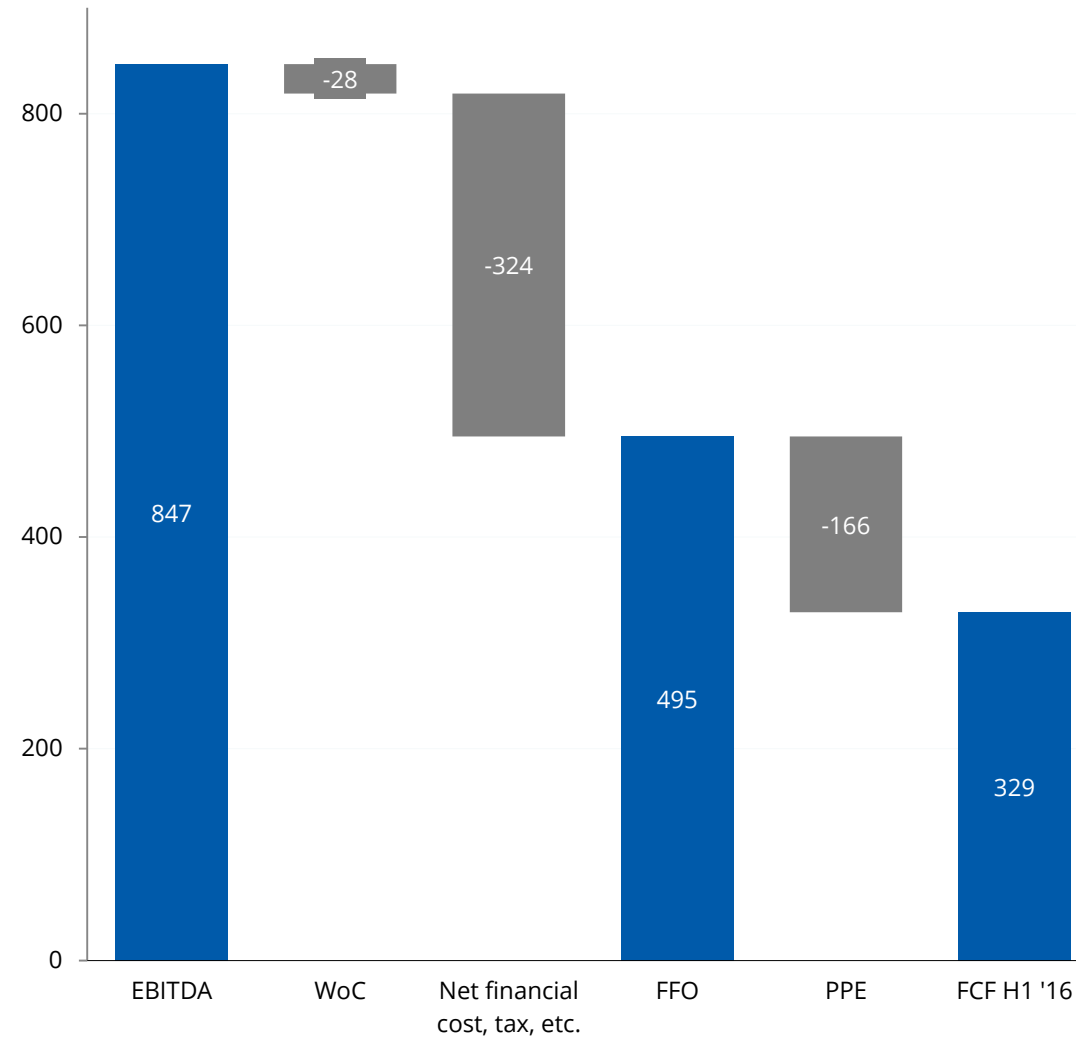




Net working capital dynamics, mln USD

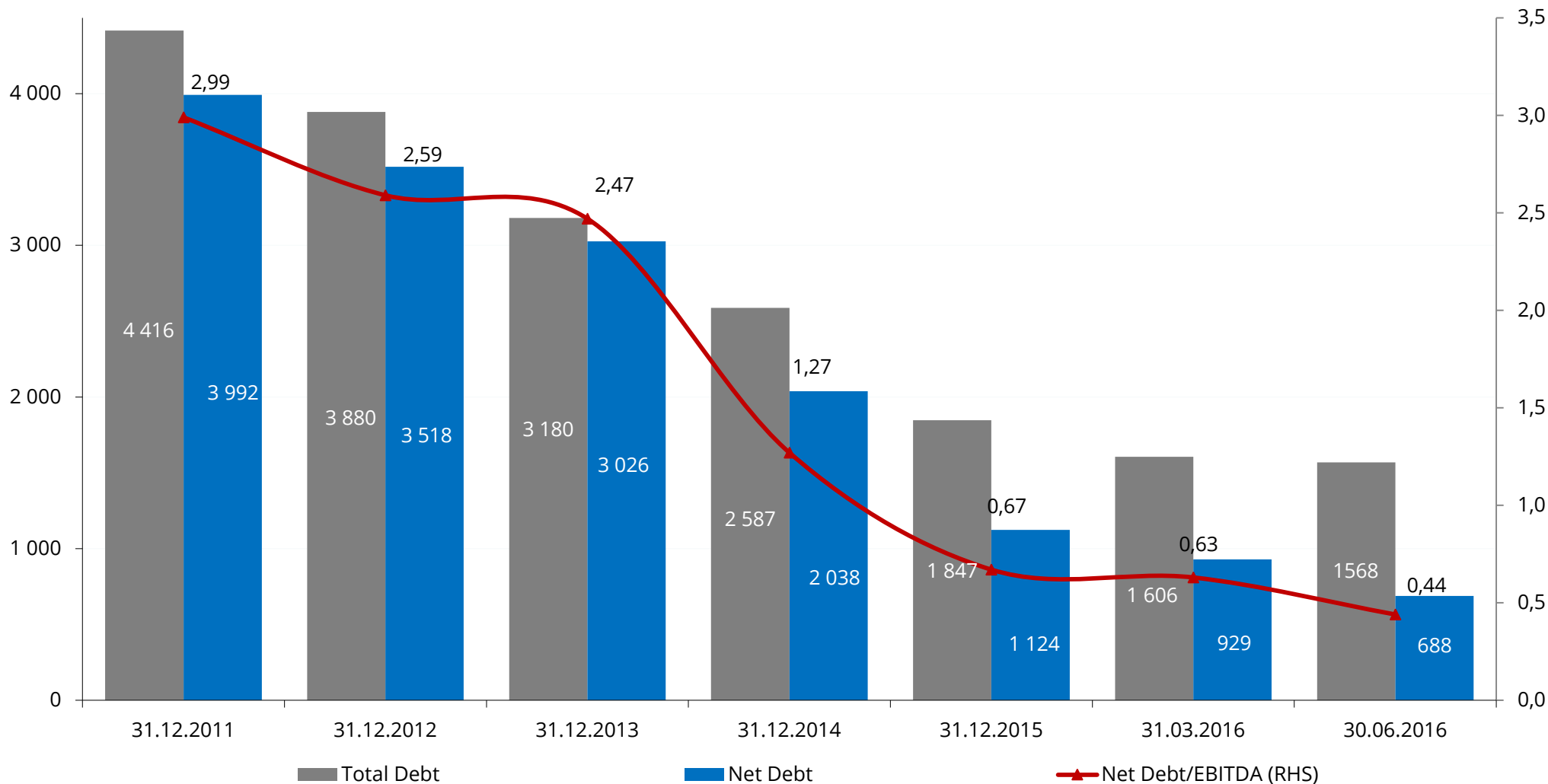


Operational Free Cash Flow (FCF), mln USD





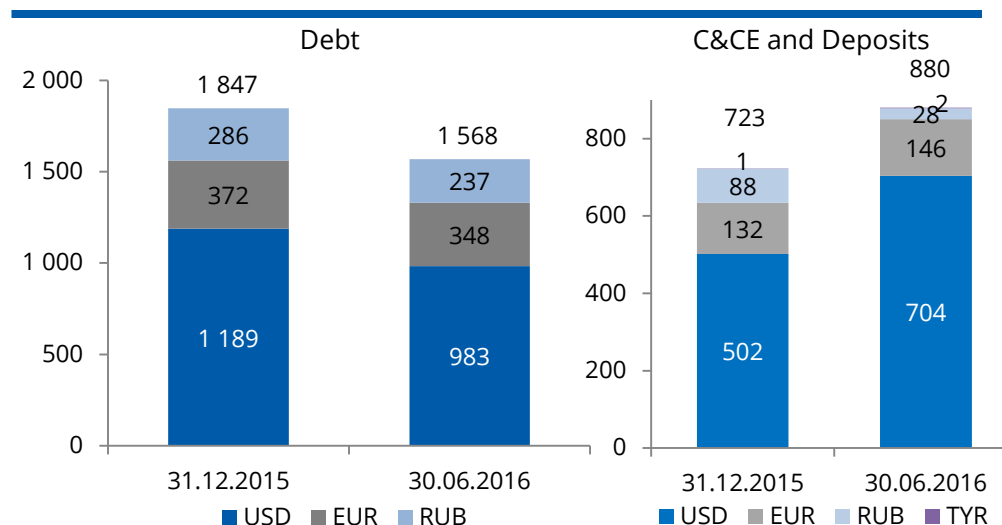
- MMK Group's net debt as of the end of Q2 2016 decreased by USD 436 mln from 31.12.2015 to USD 688 mln.
- This decrease supported a further reduction in the net debt / EBITDA ratio to 0.44x — the strongest since 2008.
- On 15 July 2016 the Company repaid ahead of schedule investment loans it raised to fund construction of its steel plant in Turkey. As a result, MMK Group's total debt was reduced by USD 403 million.



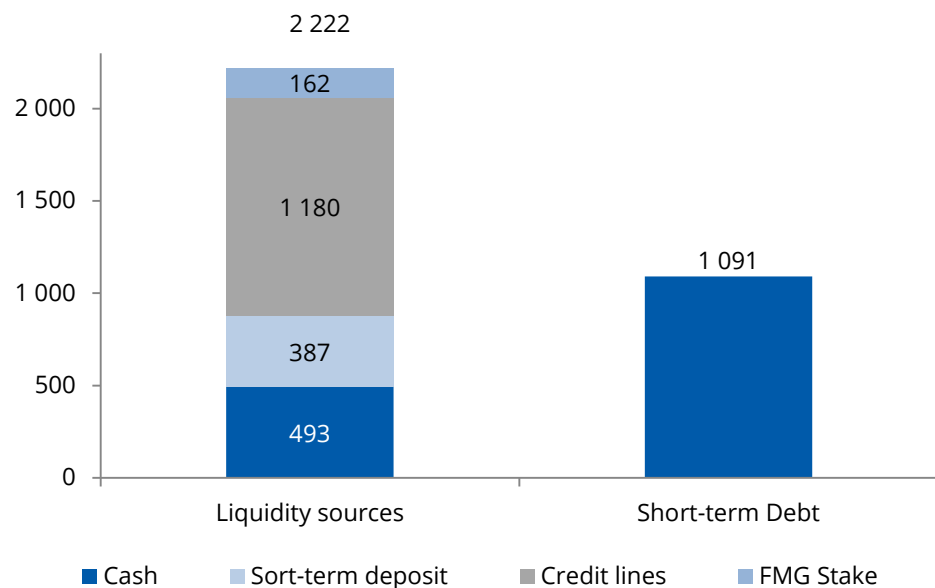


- The share of debt denominated in foreign currencies (USD+EUR) amounted to approx. 85% as of 30 June 2016.
- The volume of cash funds and short-term deposits on MMK Group's balance sheet (USD 880 mln) almost fully covers the short-term debt of MMK Group.
- The amount due in Q3 2016 (USD 654 mln) includes investment loans repaid ahead of schedule on 15 July 2016, raised to fund construction of its steel plant in Turkey.

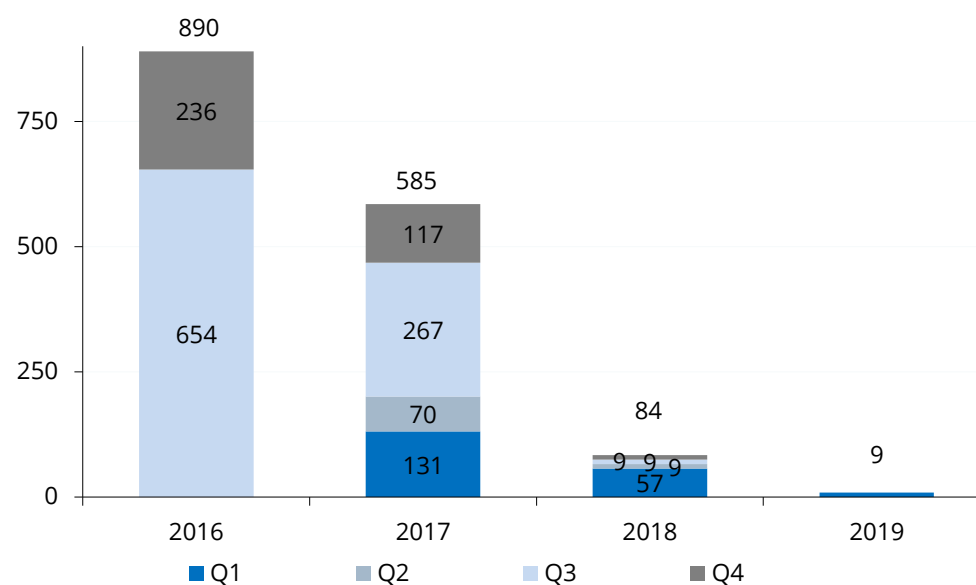
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD



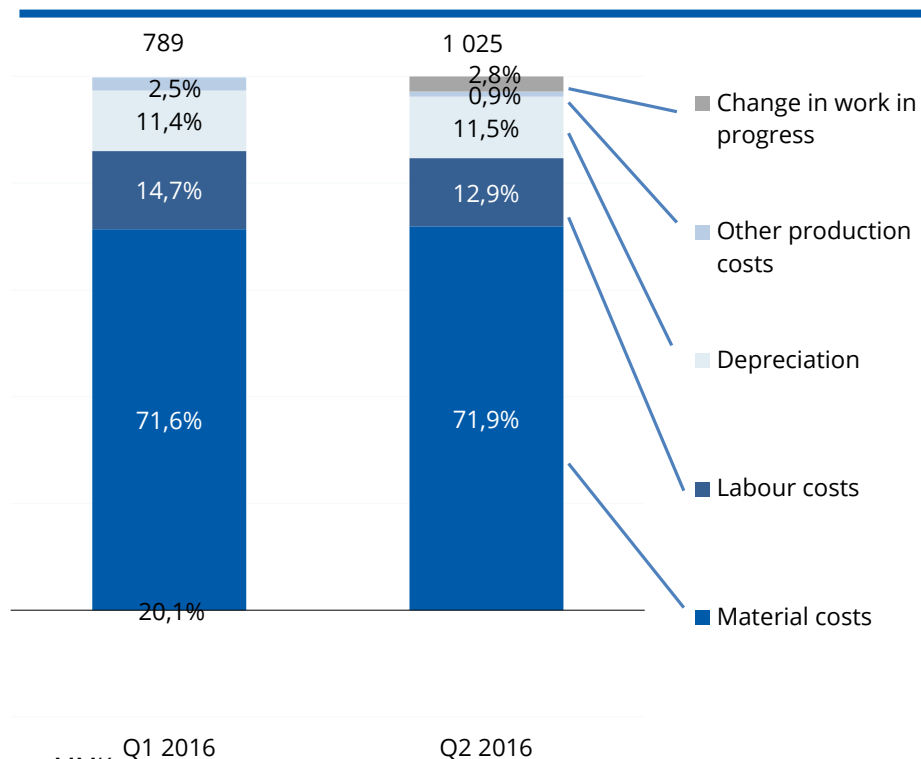


- In Q2 2016, the share of metal scrap significantly increased in the structure of OJSC MMK's material costs, due to an increase in capacity utilisation of EAFs amid higher production volumes.
- Pig iron production increased q-o-q (in spite of blast furnace #4 maintenance) which resulted in share of pellets growth in material costs.
- The 30.5% increase in operating costs in Q2 2016 q-o-q was due to higher sales volumes and FX fluctuations.

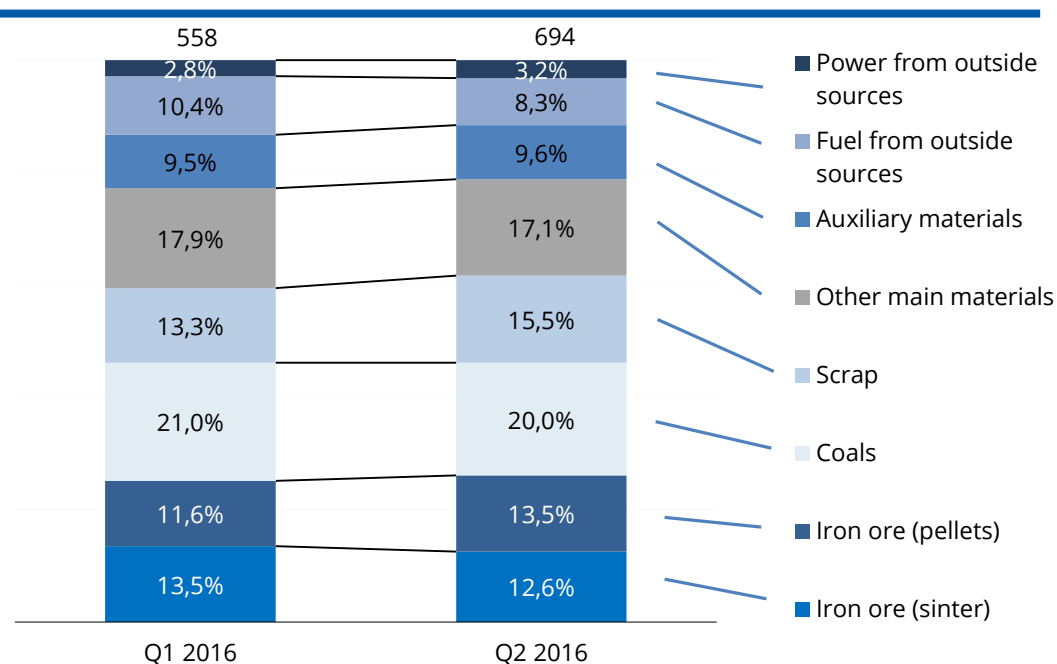
MMK Group operating costs, mln USD

	Q2 16	Q1 16	+/-	%
Cost of sales	1,025	789	236	29.9%
Selling Expenses	115	86	29	33.7%
General and Administrative Expenses	49	52	-3	-5.8%
Other Operational Expenses	-69	-69	0	-
Total Operational Costs	1,120	858	262	30.5%

Cost of sales, mln USD



MMK material costs, mln USD





- Currently, the Company sees a slight weakening of demand for steel in the domestic market due to end of seasonal restocking process and lower demand for LD pipes (dependent on supply schedule for large pipe projects).
- Management does not expect a significant drop in prices on its export markets during the quarter, and anticipates a slight correction in prices on the domestic market.



- THIS PRESENTATION IS FOR INFORMATION ONLY.
- THIS PRESENTATION IS FOR DISTRIBUTION IN UK ONLY AMONG THE PEOPLE HAVING PROFESSIONAL SKILL IN THE ISSUES RELATED TO INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, OR THOSE PEOPLE, AMONG WHICH IT MAY BE LAWFULLY DISTRIBUTED. THIS INFORMATION IS CONFIDENTIAL AND PROVIDED TO YOU EXCLUSIVELY FOR YOUR REFERENCE. BY ACCEPTANCE OF THIS INFORMATION THE RECIPIENT HEREOF CONFIRMS THAT HE OR SHE IS A SPECIALIST IN THE SPHERE OF INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, ACTING IN HIS OR HER NATURE.
- THIS PRESENTATION DOES NOT CONSTITUTE AN OFFER OR A PART THEREOF, OR INVITATION TO SELL OR TO ISSUE, OR TO SUBSCRIBE FOR OR OTHERWISE PURCHASE ANY SHARES IN THE COMPANY OR ANY OTHER SECURITIES AND NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.
- THE INFORMATION CONTAINED HEREIN IS SUBJECT TO VERIFICATION, COMPLETION AND MAY BE SIGNIFICANTLY CHANGED. NONE OF THE PERSONS IS LIABLE TO UPDATE OR MAINTAIN TOPICALITY OF THE INFORMATION CONTAINED HEREIN, AND THIS INFORMATION AND OPINIONS REFLECTED THEREIN COULD BE CHANGED WITHOUT ANY NOTIFICATION THEREABOUT.
- THIS INFORMATION DOES NOT CONSTITUTE AN OFFER OF THE SECURITIES TO BE SOLD IN RUSSIA, THE UNITED STATES OR ANY OTHER JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD INTO THE UNITED STATES EXCEPT IN A TRANSACTION REGISTERED UNDER SUCH ACT, OR NOT REQUIRED TO BE REGISTERED THERE UNDER, OR PURSUANT TO AND EXEMPTION FROM REGISTRATION REQUIREMENTS THEREOF. NO OFFERING OF SECURITIES IS BEING MADE INTO THE UNITED STATES. NO SECURITIES WILL BE REGISTERED UNDER THE APPLICABLE SECURITIES ACT OF ANY STATE OR TERRITORIAL ENTITY OF CANADA AND JAPAN. THIS PRESENTATION IS NOT SUBJECT TO MAILING, TRANSFERRING OR OTHER TYPE OF DISTRIBUTION IN THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, OR TO THE TERRITORY OR FROM THE TERRITORY OF THE SPECIFIED COUNTRIES TO THE NAME OF ANY ANALYST IN THE SPHERE OF SECURITIES OR OTHER PERSON IN ANY OF THE SPECIFIED JURISDICTIONS. YOU AGREE TO AVOID FROM DISTRIBUTION OF ANY REPORT RESULTING FROM THE SURVEY OR SIMILAR DOCUMENTS ON THE TERRITORY OF THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, SAVE AS IN ACCORDANCE WITH THE FEDERAL LAWS OF THE UNITED STATES ON SECURITIES INCLUDING SECURITIES ACT, AS WELL AS THE APPLICABLE LAWS OF CANADA, AUSTRALIA AND JAPAN, ACCORDINGLY.
- THIS PRESENTATION INCLUDES THE STATEMENTS RELATED TO THE FUTURE, WHICH REPRODUCE THE INTENTIONS, OPINIONS AND CURRENT EXPECTATIONS OF THE COMPANY. THE STATEMENTS FOR THE FUTURE INCLUDE ANYTHING, WHICH IS NOT A FACT OCCURED. THE COMPANY TRIED TO HIGHLIGHT SUCH STATEMENTS RELATED TO THE FUTURE BY MEANS OF THE WORDS, SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "INTEND", "EVALUATE", "ASSUME", "PLAN", "TO HAVE AN OPINION", "TRY", "FORECAST", "CONTINUE" AND SIMILAR WORDS OR THEIR NEGATIVE FORMS. SUCH STATEMENTS HAD BEEN DONE BASING ON THE ASSUMPTIONS AND ASSESSMENTS, WHICH MAY OCCUR FAULTY, THOUGH THE COMPANY CONSIDERS THEM REASONABLE AT THE CURRENT MOMENT.
- SUCH STATEMENTS RELATED TO THE FUTURE ARE LINKED TO THE RISKS, UNCERTAINTIES AND ASSUMPTIONS, AS WELL AS TO OTHER FACTORS, WHICH MAY LEAD TO THE EVENT THAT ACTUAL RESULTS OF THE COMPANY'S ACTIVITY AND ACTIVITY OF THE MARKETS, ON WHICH IT OPERATES OR INTENDS TO OPERATE IN, THEIR FINANCIAL STATUS, LIQUIDITY, CHARACTERISTICS, PROSPECTS AND ABILITIES COULD MATERIALLY DIFFER FROM THOSE, WHICH ARE EXPRESSED WITH THE HELP OF SUCH STATEMENTS RELATED TO THE FUTURE. THE IMPORTANT FACTORS, WHICH MAY RESULT IN SUCH DIFFERENCES, INCLUDE, INTER ALIA, CHANGING BUSINESS CONDITIONS AND OTHER MARKET CONDITIONS, COMMON ECONOMIC CONDITIONS IN RUSSIA, EU COUNTRIES, THE UNITED STATES OF AMERICA OR ANYWHERE ELSE, AS WELL AS THE ABILITY OF THE COMPANY TO MEET THE TRENDS IN THE INDUSTRY. THE MATERIAL DIFFERENCE OF THE ACTUAL RESULTS, FEATURES AND ACHIEVEMENTS MAY BE THE RESULT OF ADDITIONAL FACTORS. THE COMPANY AND ALL ITS DIRECTORS, OFFICERS, EMPLOYEES AND ADVISORS HERewith STATE THAT THEY ARE NOT OBLIGED TO ISSUE ANY UPDATE OF OR REVISE ANY STATEMENTS RELATED TO THE FUTURE CONTAINED HEREIN, OR DISCLOSE ANY CHANGES IN THE FORECASTS OF THE COMPANY OR EVENTS, CONDITIONS AND CIRCUMSTANCES, WHICH SUCH STATEMENTS RELATED TO THE FUTURE ARE BASED ON, SAVE AS IN THE CASES PROVIDED FOR BY THE APPLICABLE LAWS.
- RECEIPT OF ANY COPY OF THIS INFORMATION TESTIFIES THE ACCEPTANCE OF THE ABOVE LIMITATIONS.