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Magnitogorsk Iron and Steel Works
announces its IFRS financial statements for Q1 2015

MMK GROUP CONSOLIDATED FINANCIAL HIGHLIGHTS (USD MLN)

	Q1 2015	Q4 2014	%	Q1 2015	Q1 2014	%
Revenue	1,511	1,727	-12.5%	1,511	1,879	-19.6%
Cost of sales	-1,018	-1,305	-22.0%	-1,018	-1,529	-33.4%
Selling, General & Administrative and Other Expense (SG&A)	-149	-191	-22.0%	-149	-272	-45.2%
Operating profit	344	231	48.9%	344	78	341.0%
EBITDA*, of which	470	392	19.9%	470	294	59.9%
<i>Steel segment</i>	446	378	18.0%	446	267	67.0%
<i>Steel segment (Turkey)</i>	4	5	-20.0%	4	13	-69.2%
<i>Coal segment</i>	19	7	171.4%	19	15	26.7%
<i>Consolidation effect</i>	1	2	-50.0%	1	-1	-
EBITDA margin	31.1%	22.7%	8.4 p.p.	31.1%	15.6%	15.5 p.p.
Profit/loss for the period	196	-150	-	196	-79	-
Free cash flow (FCF)	190	294	-35.4%	190	33	475.8%

* - EBITDA calculation is presented in the Notes to MMK Group's Consolidated Financial Statements

Q1 2015 results as compared to Q4 2014 and Q1 2014

- MMK Group's revenue for Q1 2015 totalled USD 1,511 million, down 12.5% q-o-q and down 19.6% y-o-y. The decline in revenue was primarily due to the rouble devaluation effect in late 2014 and decrease of export prices for steel products.
- Cost of sales in Q1 2015 amounted to USD 1,018 million, down 22.0% q-o-q and down 33.4% y-o-y. This was supported by implementation of set of measures aimed at cost optimisation, as well as favourable environment in commodities markets.
- Selling, general and administrative (SG&A) expenses in Q1 2015 amounted to USD 149 million, down 22.0% q-o-q and down 45.2% y-o-y.
- Since cost of sales decline outpaced revenue decline, operating profit for Q1 2015 (USD 344 million) grew 48.9% q-o-q and 341.0% y-o-y.
- EBITDA for Q1 2015 amounted to USD 470 million, up 19.9% q-o-q and up 59.9% y-o-y.
- EBITDA margin for Q1 2015 amounted to 31.1%, up 8.4 p.p. q-o-q and up 15.5 p.p. y-o-y. This is a record margin for the Company in five past years.
- Profit for Q1 2015 amounted to USD 196 million, compared to Q4 2014 and Q1 2014 losses of USD 150 million and USD 79 million, respectively. Excluding FX loss of USD 46 million, profit in Q1 2015 would be USD 242 million.
- Free cash flow in Q1 2015 amounted to USD 190 million, down 35.4% q-o-q and up 475.8% y-o-y.

BALANCE SHEET AND CASH-FLOW HIGHLIGHTS

Debt load

- In the current economic situation, achieving a continued reduction in debt load is the priority task for the Company's management. Thus, a major part of free cash flow generated by MMK Group in 2015 will be used to decrease the debt load.
- MMK Group's total debt at the end of Q1 2015 amounted to USD 2,333 million, down USD 254 million or 9.8% from the end of 2014.
- At the end of Q1 2015, MMK Group's net debt (including short-term deposits of USD 319 million) amounted to USD 1,805 million, down by USD 233 million from the end of 2014.
- As of 31 March 2015, MMK Group had cash and cash equivalents of USD 209 million, short-term deposits of USD 319 million and liquid securities (a stake in FMG) of USD 235 million.
- Short-term debt and the current portion of MMK Group's long-term debt as of 31 March 2015 amounted to USD 884 million, which is almost fully covered by liquid financial assets at the company's disposal.

Capital expenditure and cash flow

- In Q1 2015 investment in fixed assets amounted to USD 64 million, a record low since 2007, in line with MMK Group's plan to spend approximately USD 400 million on CAPEX in 2015.
- Cash outflow for working capital financing in Q1 2015 amounted to USD 126 million. This was mainly due to receivables growth by USD 119 million as a result of increased sales during the quarter and reduction of the share of prepaid orders.
- Despite of receivables growth in Q1 2015, strict policy in relation to accounts receivable allowed the company to prevent increase in past due accounts.
- Despite cash outflow for working capital financing, MMK Group's free cash flow (FCF) in Q1 2015 amounted to the sizable sum of USD 190 million, which is somewhat down q-o-q, but almost 6 times higher than in Q1 2014. Annualized FCF yield amounted to 26.6%.
- Depreciation costs for Q1 2015 were USD 123 million, compared to USD 152 million in Q4 2014 and USD 184 million in Q1 2014. This decrease was due to impairment of fixed assets in 2013 of USD 1,995 million and the rouble's decline against the US dollar.

MMK GROUP HIGHLIGHTS BY SEGMENT

Steel segment

- The steel segment's total revenue in Q1 2015 was USD 1,415 million, down 10.1% q-o-q and down 20.2% y-o-y. This decrease was due to a significant rouble depreciation in 2014 and export prices reduction.
- The steel segment's EBITDA in Q1 2015 was USD 446 million with an EBITDA margin of 31.5%. Segment EBITDA rose by 18.0% q-o-q and 67.0% y-o-y thanks to a favourable situation for the company on the commodities markets, as well as cost optimisation measures carried out by Company management.
- Lower prices for key raw materials and efficient cost optimisation allowed the Group to reduce cash cost of slab to USD 207 per tonne in Q1 2015, down 14.8% q-o-q and down 38.6% y-o-y.

Steel segment (Turkey)

- MMK Metalurji's revenue for Q1 2015 was USD 139 million, down 19.7% q-o-q. This decline was due to the decrease in steel prices on global markets in late 2014 – early 2015.
- MMK Metalurji's EBITDA for Q1 2015 amounted to USD 4 million. EBITDA's decline mirrors the decrease in revenue.

Coal segment

- The coal segment's total revenue for Q1 2015 amounted to USD 43 million, down 33.8% y-o-y. This was due to lower coal sales during maintenance works at the Company's mines.
- EBITDA in Q1 2015 increased by 2.7 times q-o-q to USD 19 million. This growth was due to the growth in rouble prices for coke coal on the domestic market in the beginning of 2015 amid decrease in the Company's dollar expenses.

COMMENT ON MARKET SITUATION

The Company's management expects some decrease in sales in Q2 2015 as compared to the high level seen in Q1 2015. This decrease is related to an earlier than usual (January – February 2015) restocking by metal traders and some deceleration of business activity in the construction sector.

However, this effect on the Company's financial results will be compensated for domestic prices (steel domestic prices recovered to export parity level in March 2015), maximum capacity utilisation in key production facilities and a decrease in the Company's expenses as a result of a favourable environment on commodities markets and implementation of the programme aimed at improving operational efficiency.

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MMK management will hold a conference call on 8 June 2015 at 3.00 pm Moscow time (1.00 pm London time, 8.00 am New York time).

The conference call dial-in number is: +7 3519 24 93 05. Password: 1234

A presentation of the financial results and the IFRS financial statements can be found at http://eng.mmk.ru/for_investor/financial_statements/

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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, Head of IR
tel.: +7 (3519) 24-52-97
E-mail: serov.ae@mmk.ru

MMK Communications Department

Dmitry Kuchumov	Sergei Vykhukholev
Tel: +7 (499) 238-26-13	Tel: +7 (499) 238-26-13
E-mail: kuchumov.do@mmk.ru	E-mail: vykhukholev.sv@mmk.ru