



IFRS financial statements for Q4 and FY 2015

15 February 2016



Q4 2015 Financial results

Revenue	USD 1,181 mln	●	down 21.4% q-o-q
Cost of sales	USD 893 mln	●	down 13.8% q-o-q
EBITDA	USD 275 mln	●	down 36.0% q-o-q
EBITDA margin	23.3%	●	down 5.3 p.p. q-o-q
Net loss	USD -125 mln	●	as compared to profit of USD 78 mln in Q3 2015
Cash cost of slab	USD 191 per tonne	●	down 2.6% q-o-q
Free cash flow (FCF)	USD 68 mln	●	down 88.1% q-o-q
CAPEX	USD 108 mln	●	up 27.1% q-o-q

FY 2015 Financial results

Revenue	USD 5,839 mln	●	down 26.6% y-o-y
Cost of sales	USD 4,054 mln	●	down 34.7% y-o-y
EBITDA	USD 1,668 mln	●	up 3.8% y-o-y
EBITDA margin	28.6%	●	up 8.4 p.p. y-o-y
Net profit	USD 421 mln	●	as compared to loss of USD 44 mln in FY 2014
Net debt	USD 1,124 mln	●	down by USD 914 mln as compared to 31.12.2014
Net debt / EBITDA	0.67x	●	down from 1.27x as of 31.12.2014
Free cash flow (FCF)	USD 1,008 mln	●	up 32.8% y-o-y
CAPEX	USD 348 mln	●	down 30.0% y-o-y



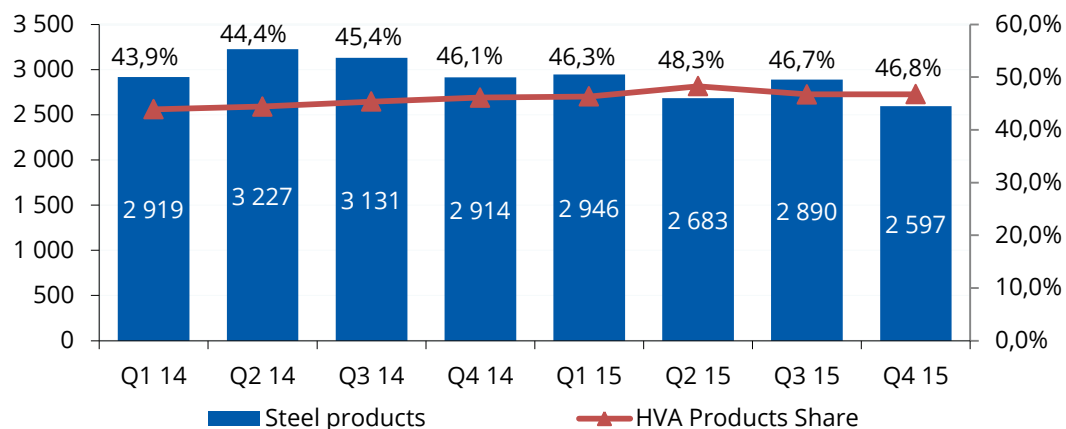
Key production indicators, ths tonnes

	Q4 '15	Q3 '15	%	FY '15	FY '14	%
Cast iron	2,541	2,656	-4.3%	10,132	10,280	-1.4%
Crude steel incl.	2,897	3,141	-7.8%	12,236	13,031	-6.1%
MMK	2,897	3,141	-7.8%	12,236	13,031	-6.1%
MMK Metalurji	0	0	-	0	0	-
Finished products	2,668	2,890	-7.7%	11,188	12,158	-8.0%
MMK	2,597	2,894	-10.3%	11,012	11,650	-5.5%
MMK-Metiz*	98	117	-16.2%	418	508	-17.7%
MMK Metalurji*	213	198	7.6%	795	690	15.2%
HVA products	1,214	1,351	-10.1%	5,224	5,480	-4.7%
Belon coking coal concentrate	790	730	8.2%	2,822	2,942	-4.1%

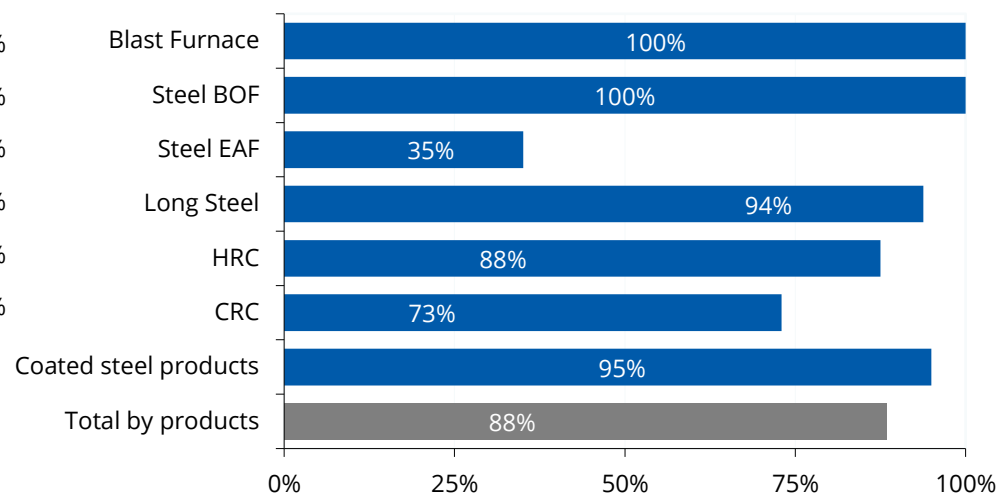
- MMK Group's finished steel products output in FY 2015 was down 8% y-o-y.
- MMK Group High Value Added (HVA) steel products output in FY 2015 was 5,224 thousand tonnes. The share of HVA products in total output volume was 46.7% in FY 2015.
- The total steel-making capacity utilisation rate at the main production site in Magnitogorsk in FY 2015 was approx. 84%.

* - incl. made from MMK steel

MMK Group finished products dynamics, ths tonnes



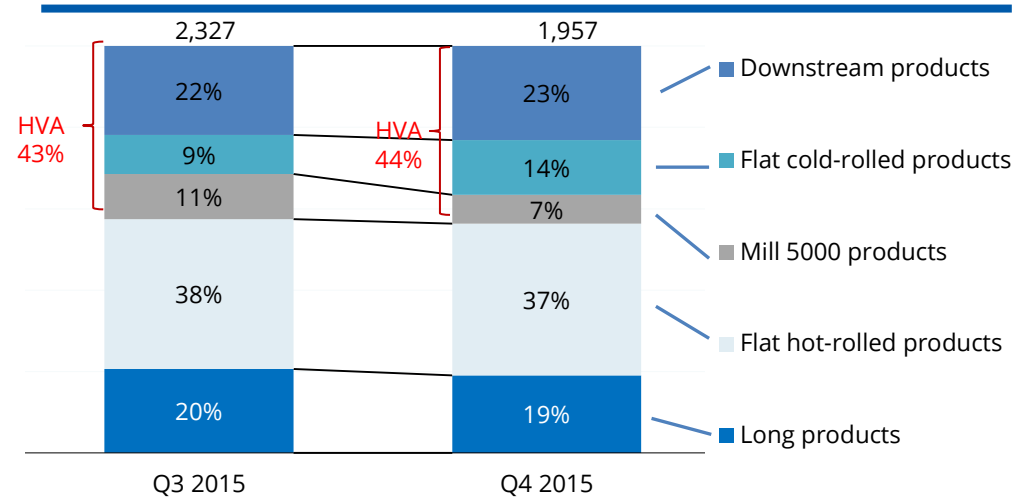
Key capacities utilisation rates in FY 2015, %



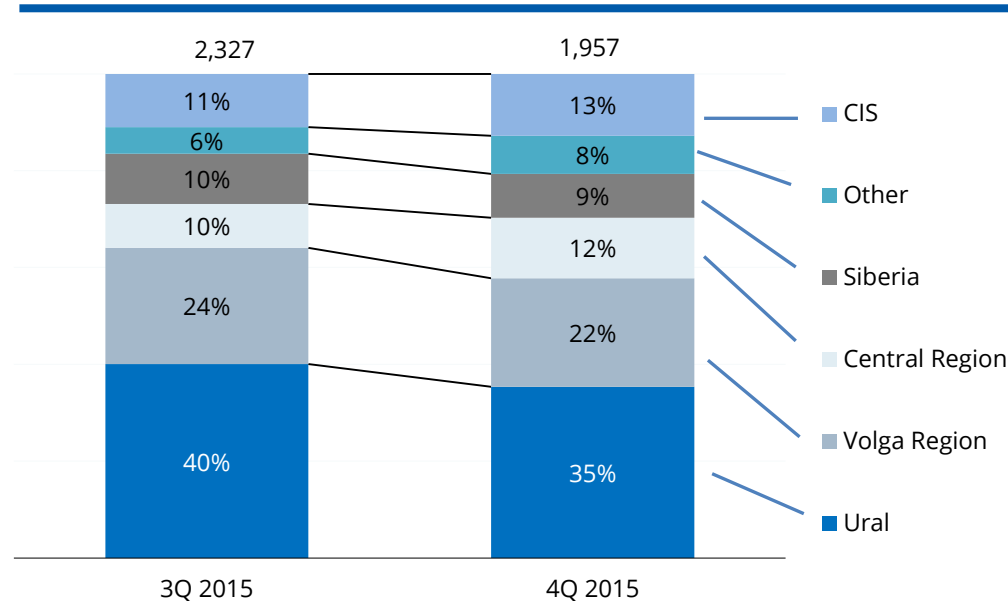


- Total sales volume on the Russian and CIS market in Q4 2015 was 1,957 ths tonnes, down 370 ths tonnes q-o-q. This was primarily due to overall seasonal decline in domestic demand for steel during the quarter.
- Sales of thick plate produced at Mill 5000 in Q4 2015 decreased by 119 ths tonnes, or 46.0%, q-o-q, which was due to the irregular supply schedule of large-diameter pipes for the construction of major Gazprom projects. This factor also resulted in lower share of shipments to pipemakers in the overall sales structure.
- The increase in the share of cold-rolled steel in shipments for Q4 2015 was due to a recovery in demand following a significant decline in shipments of this product in Q3 2015.

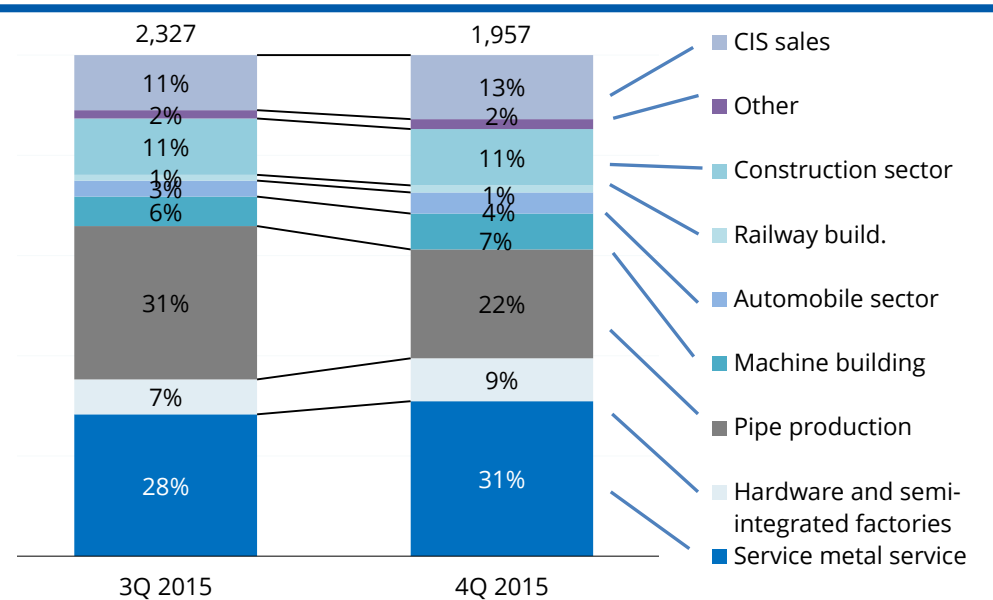
Sales structure on the Russian and CIS market, ths tonnes



Russia and CIS market sales by region, ths tonnes



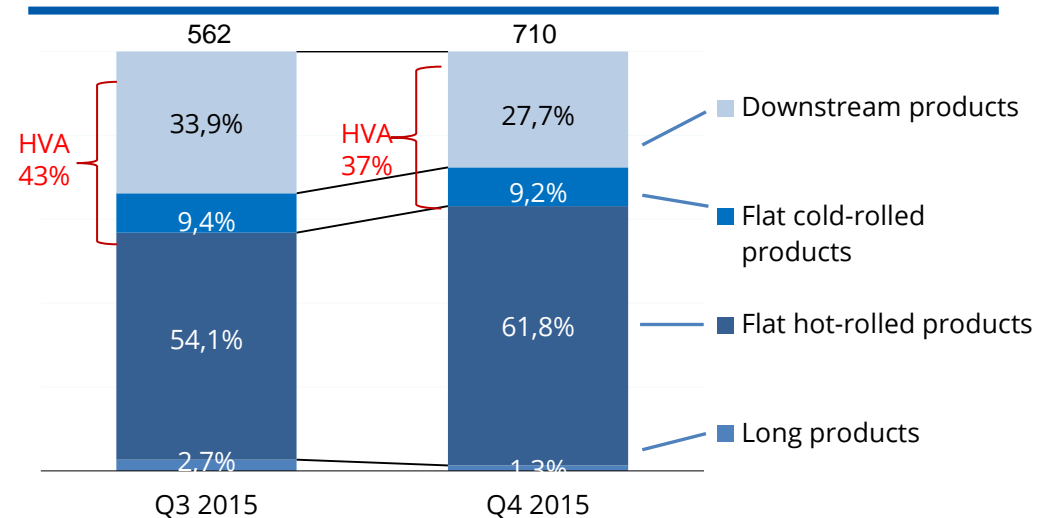
Russia and CIS market sales by sector, ths tonnes



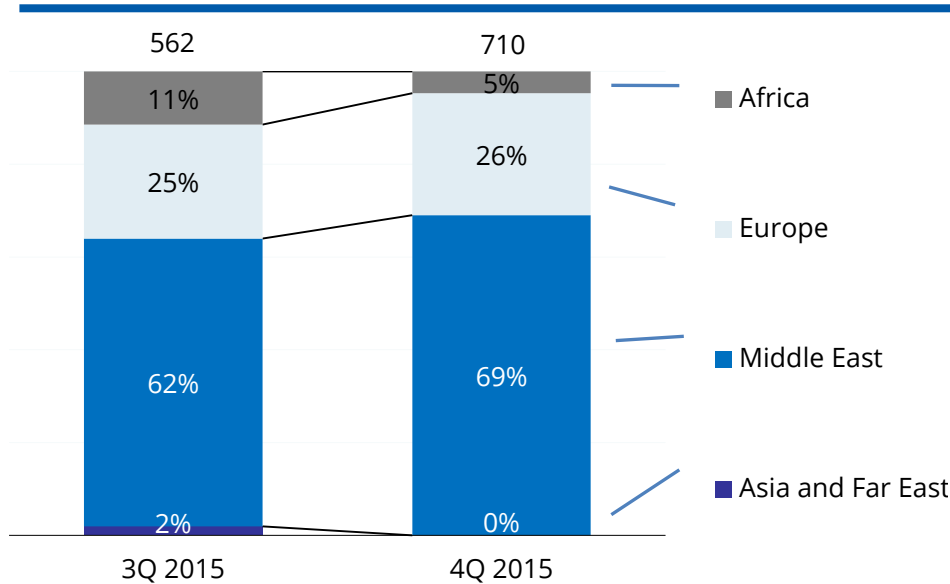


- Sales on international markets in Q4 2015 amounted to 710 ths tonnes. This increase was due to a seasonal decline in domestic demand, which was offset by an increase in export sales. The share of hot-rolled products increased to 62% of exports, while the share of HVA products decreased to 37%.
- The decrease in export sales of HVA products was due to sufficient domestic demand for these products.
- In Q4 2015, the Company increased its proportion of sales to the Middle East as compared to the previous quarter. Sales to Europe were flat q-o-q.

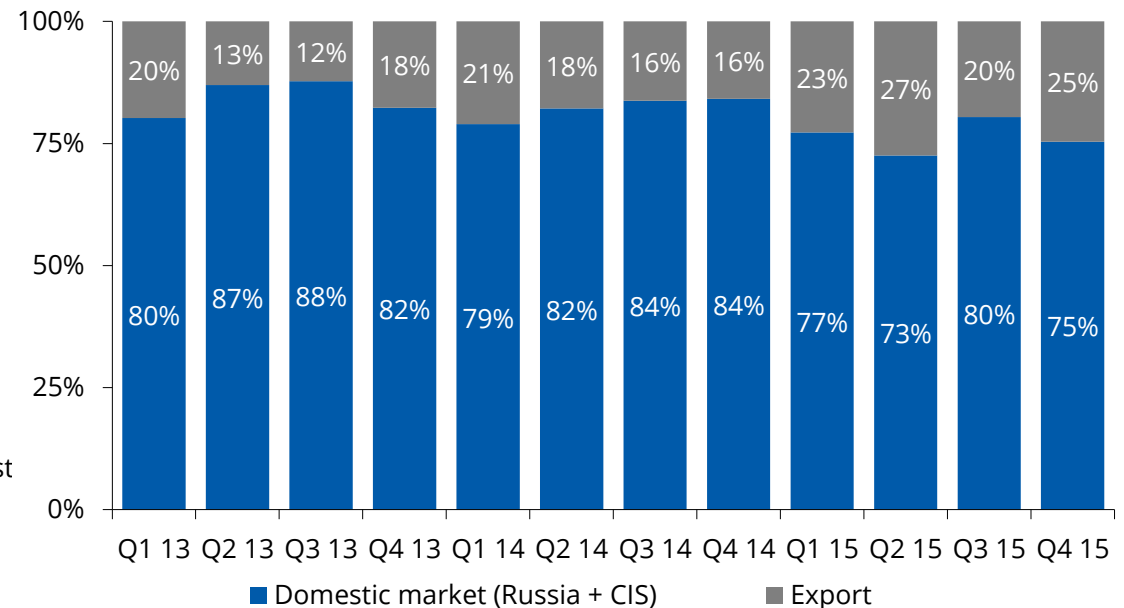
Sales structure on international markets, ths tonnes



International sales structure by region, ths tonnes



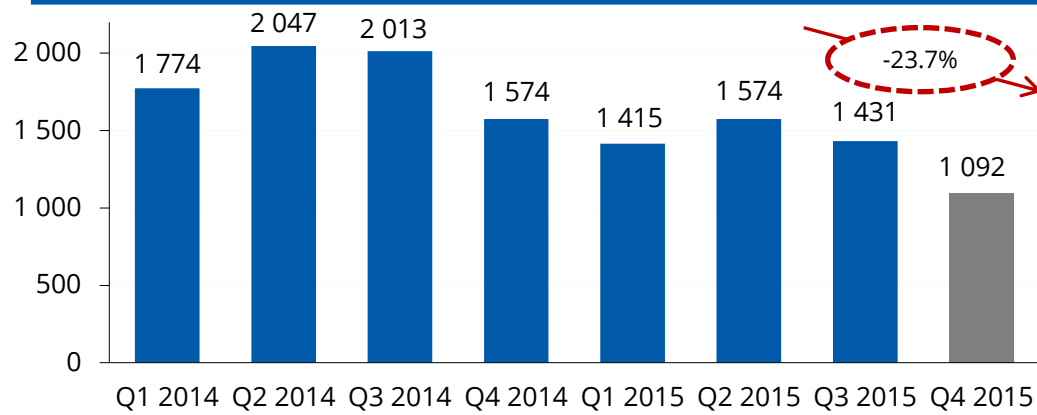
Sales share by market, ths tonnes



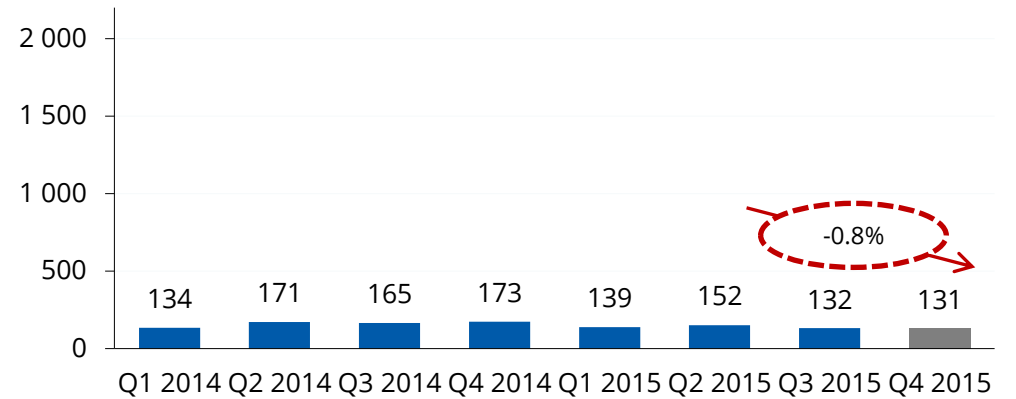


- Revenue for Q4 2015 amounted to USD 1,181 mln, down 21.4% q-o-q. The key factors were the seasonal decline in domestic demand and a lower average sales price (down 11.9%).

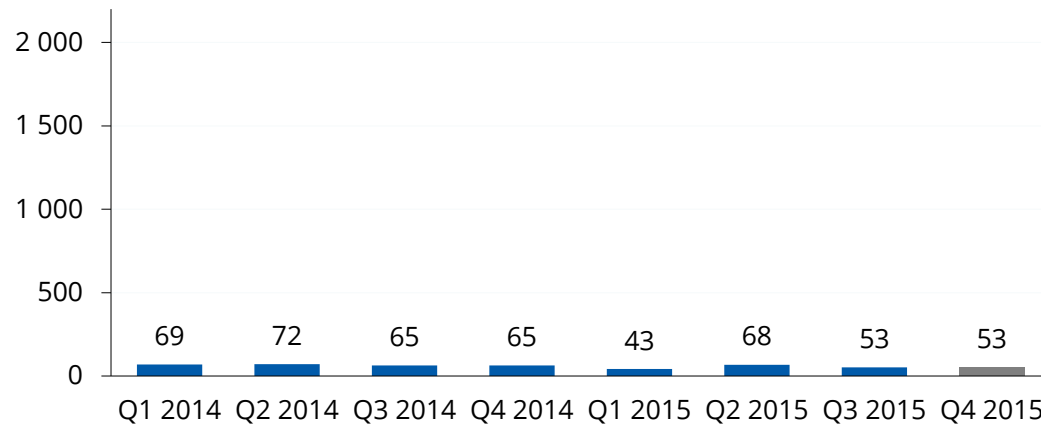
Steel segment revenue (Russia), mln USD



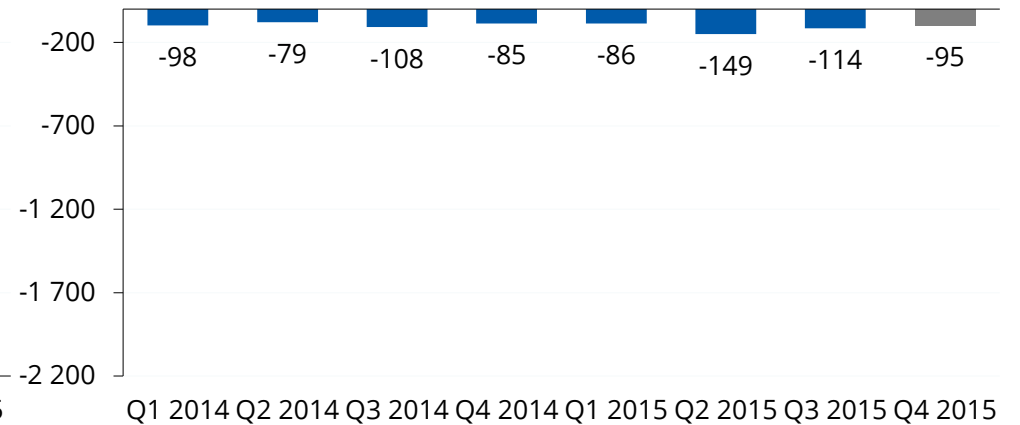
Steel segment revenue (Turkey), mln USD



Coal segment revenue, mln USD



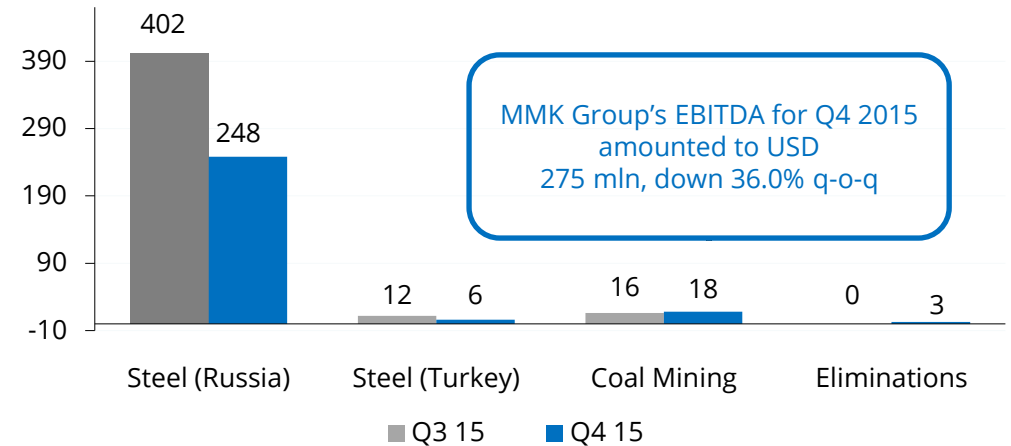
Consolidation, mln USD



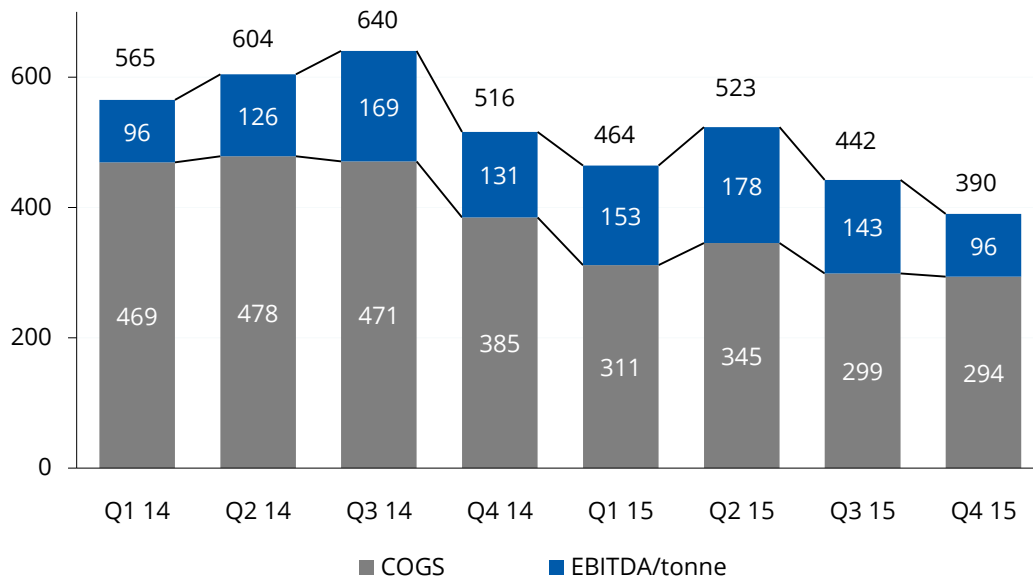


- A decrease in global steel prices and seasonal weakening of the business on the domestic market in Q4 2015 contributed to decrease in the average sales price and EBITDA per tonne of metal
- EBITDA for the steel segment (Russia) in Q4 2015 declined q-o-q due to a decrease in sales amid lower prices
- EBITDA for the steel segment (Turkey) in FY 2015 amounted to USD 36 mln, up 28.6% y-o-y. This was mainly due to an increase in sales.
- EBITDA of the coal segment in FY 2015 increased more than 6.5x y-o-y driven by an increase in sales prices and a reduction in the company's costs.

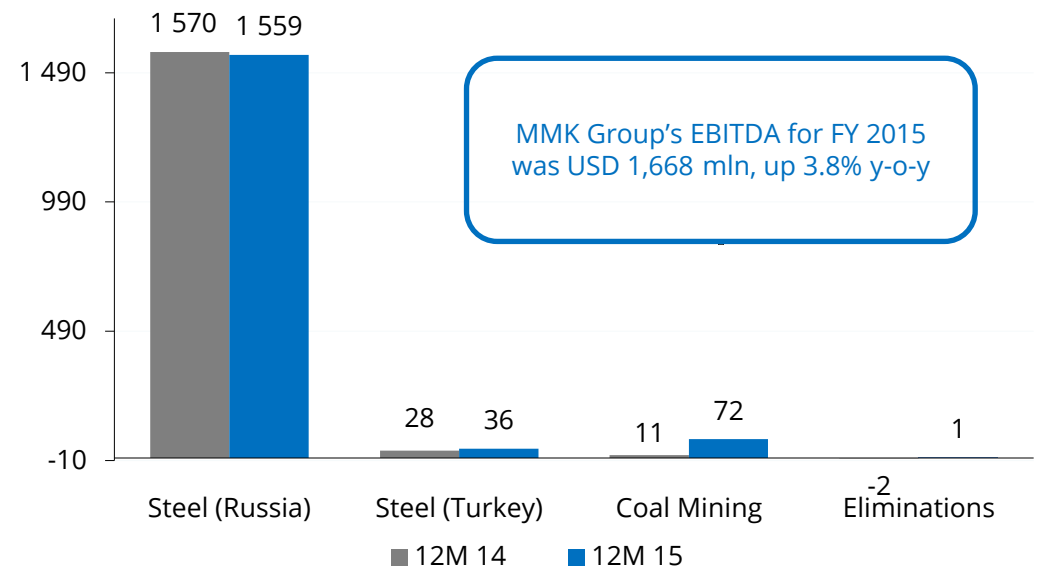
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



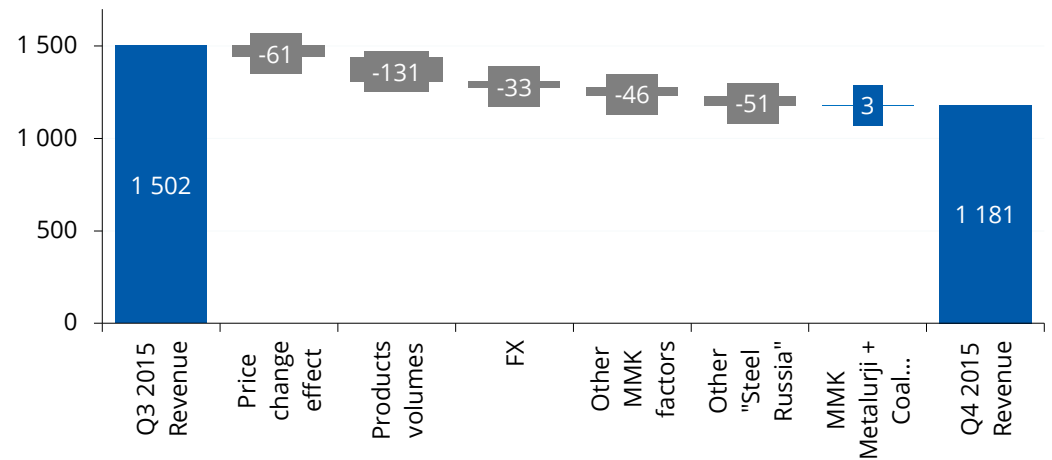
Annual EBITDA dynamics, mln USD



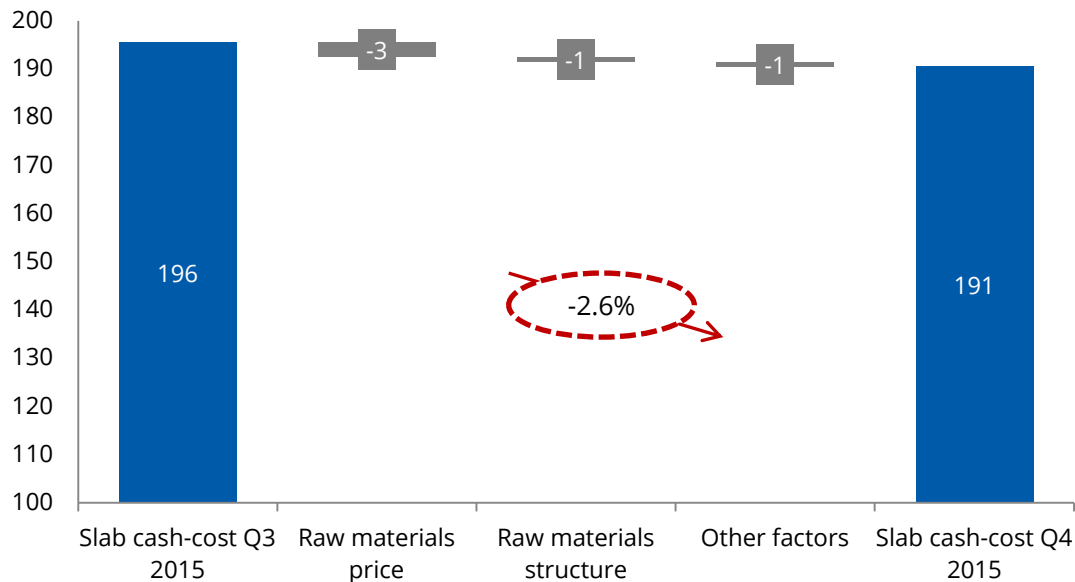


- The key factors impacting revenue in Q4 2015 were a decrease in sales volumes and steel prices.
- In Q4 2015, the Company's loss amounted to USD 125 mln. Key factors included an FX loss of USD 53 million and creation of provisions for impairment of raw materials and land recultivation totalling USD 165 mln. Excluding these items, the profit for Q4 2015 was USD 93 mln.
- In FY 2015, profit amounted to USD 421 mln, as compared to loss of USD 44 mln in FY 2014.
- The cash cost of slab decreased by 2.6% in Q4 2015, mainly due to the decrease in raw material prices.

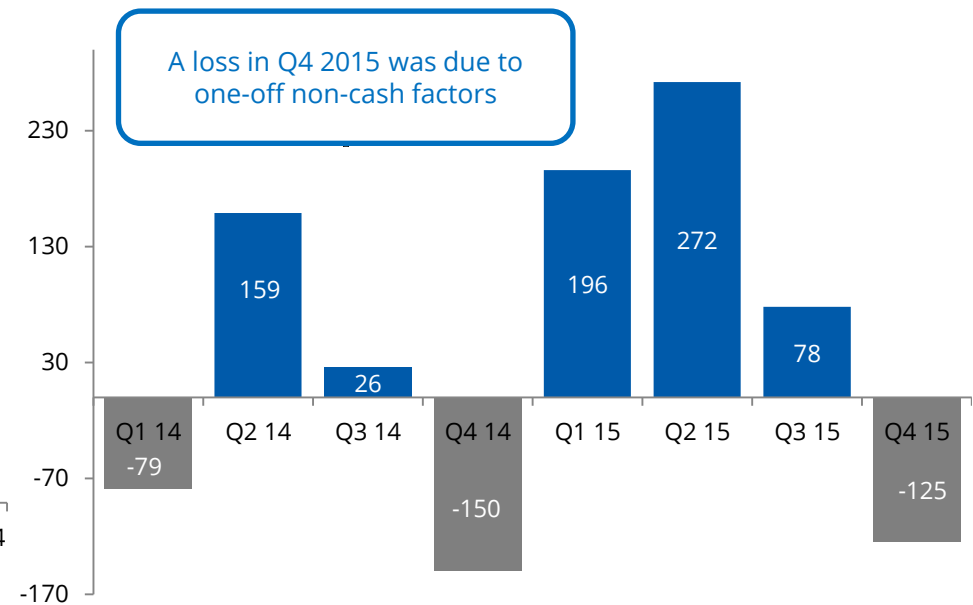
Analysis of revenue, Q4 2015 q-o-q, mln USD



Cash-cost of slab dynamics, USD/t



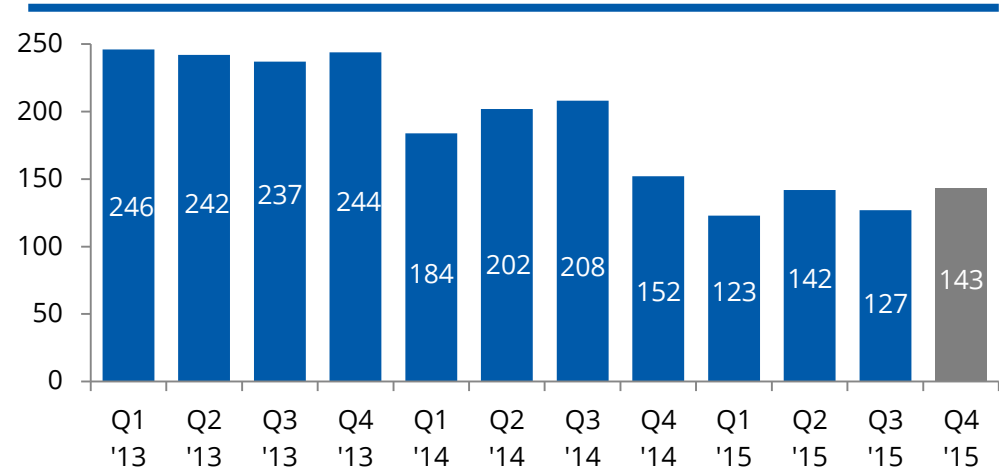
Динамика чистой прибыли, mln USD



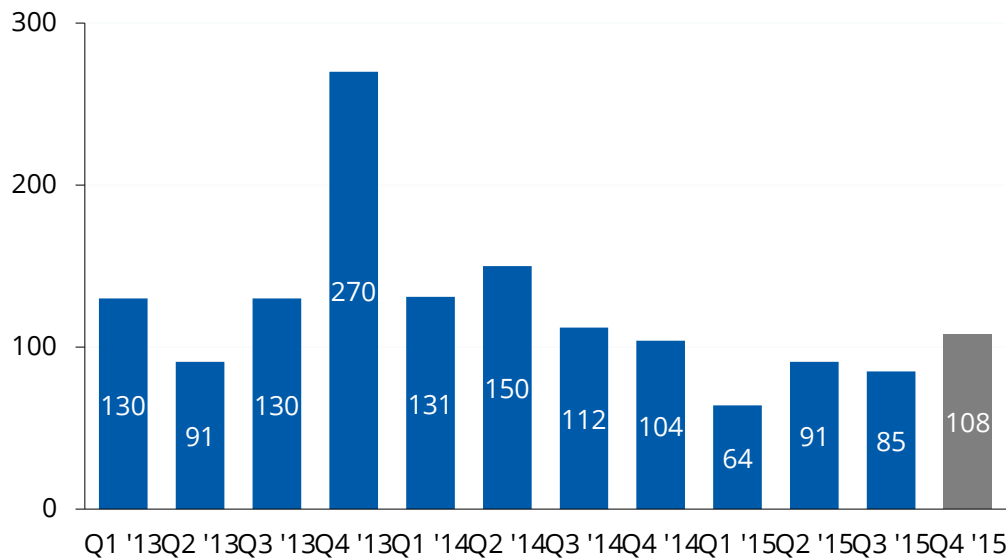


- MMK Group's capex in Q4 2015 amounted to USD 108 mln. The increase on the previous quarter was due to scheduled maintenance at blast furnace no. 9.
- In FY 2015 capex decreased by 30.0% y-o-y to USD 348 mln – below the level of USD 400 mln announced earlier.
- Capex volume in 2016 will remain between USD 0.4 bln and USD 0.5 bln – fully in line with the long-term development strategy of the Company.

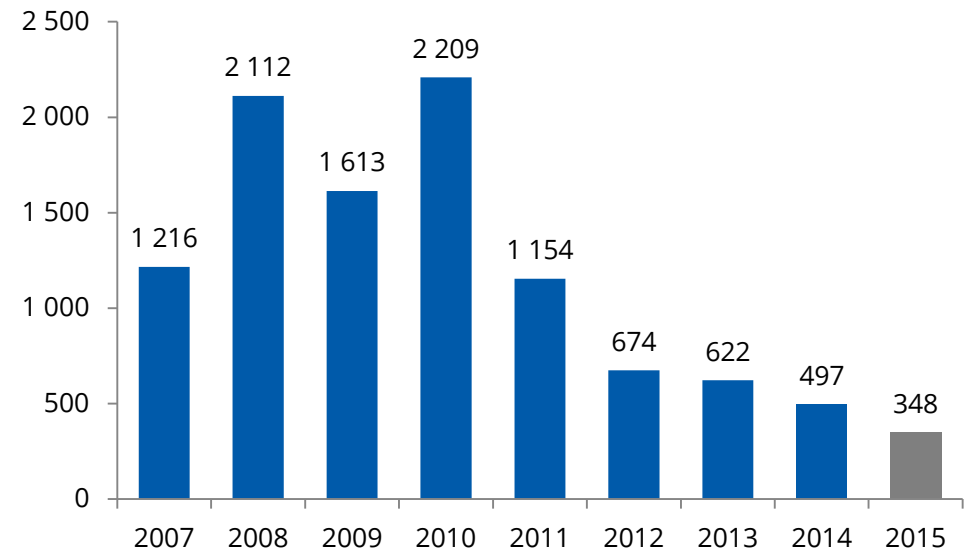
Quarterly depreciation dynamics, mln USD



Quarterly CAPEX dynamics, mln USD

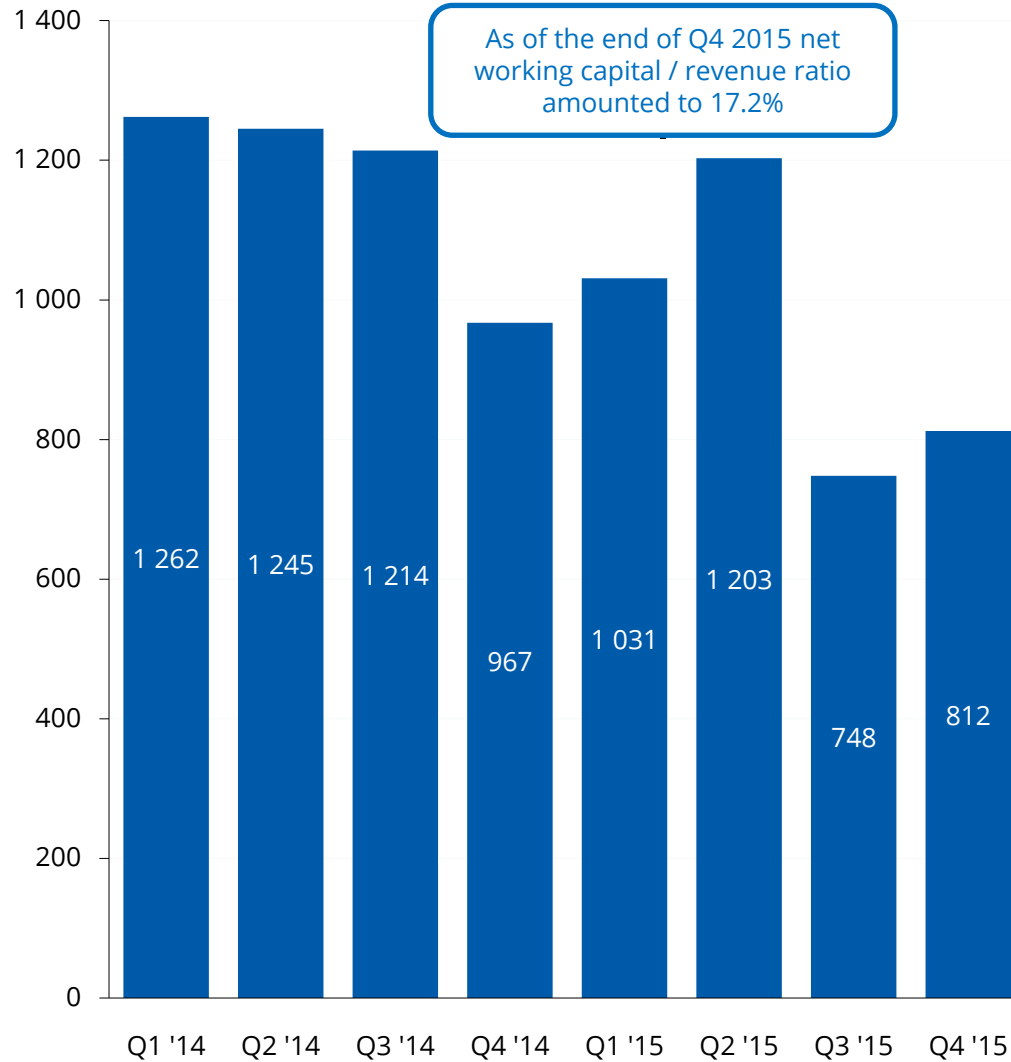


CAPEX decrease following the end of the investment cycle, mln USD

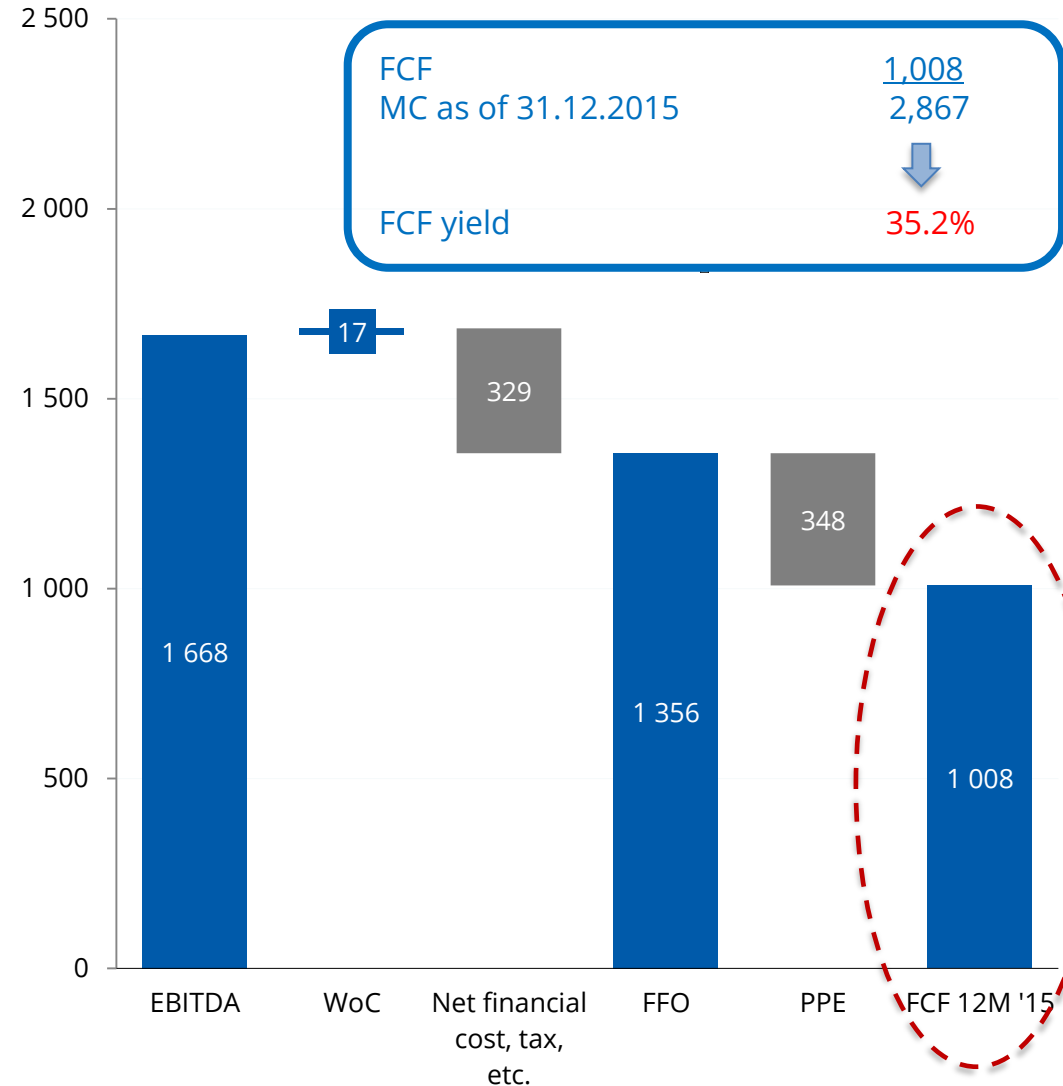




Net working capital dynamics, mln USD

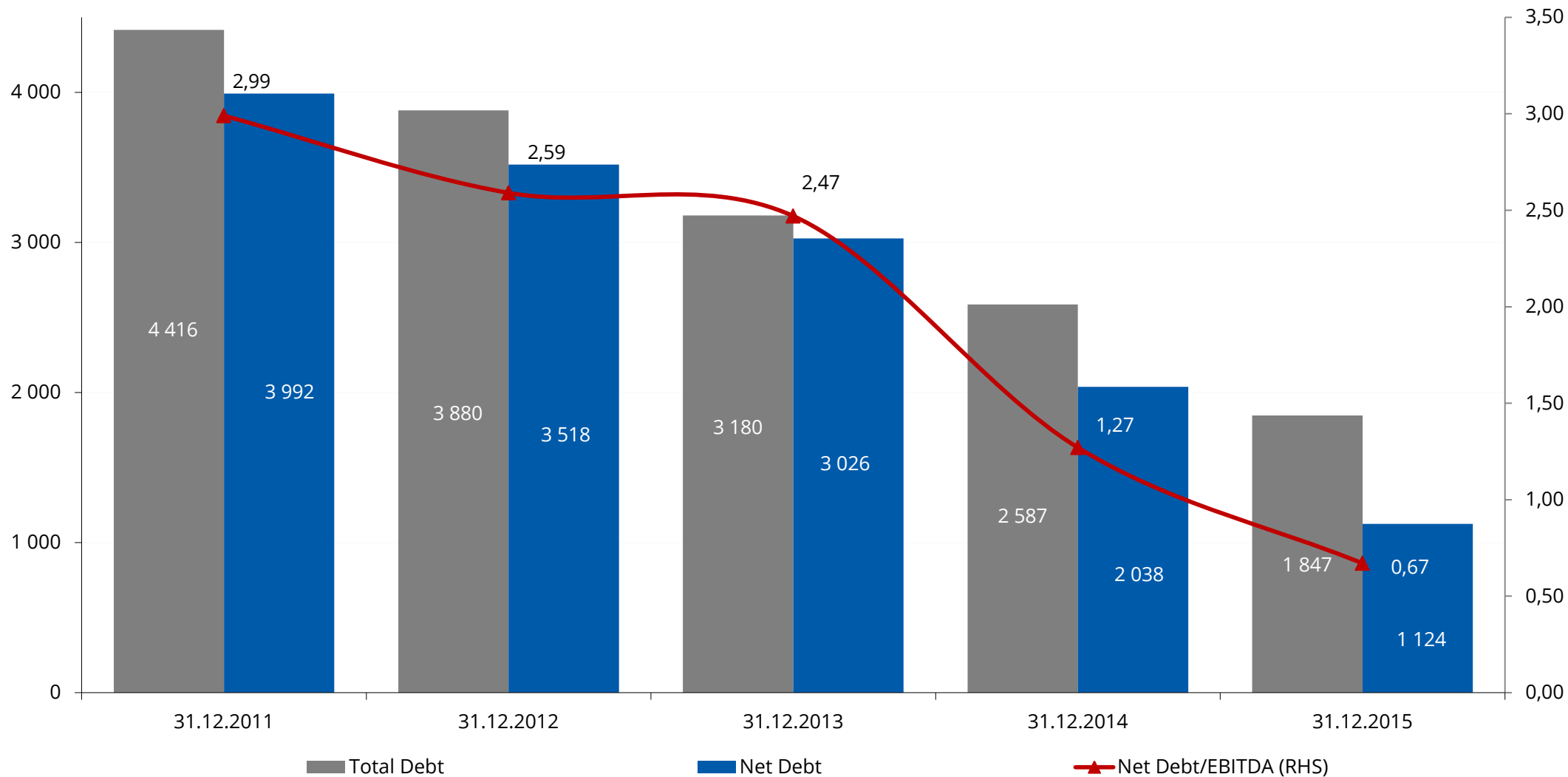


Highest FCF in the Company's history, mln USD





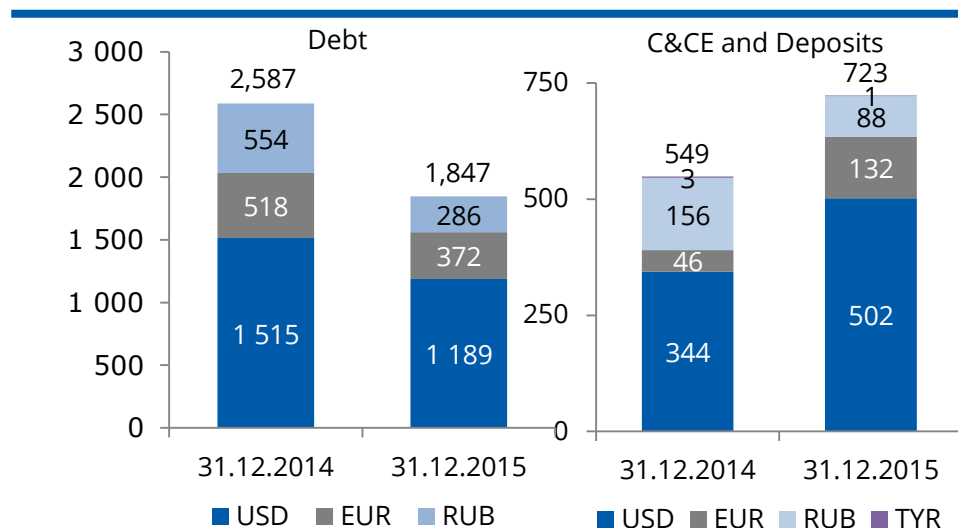
- MMK Group's net debt as of the end of 2015 decreased to USD 1,124 mln, down by USD 914 mln compared to 31.12.2014.
- At the end of FY 2015, net debt/EBITDA decreased to 0.67x, the lowest since 2008, but somewhat higher than the debt load level of key peers.
- The Company plans to further reduce the debt load in 2016 by using its cash funds and cash flow from operations.



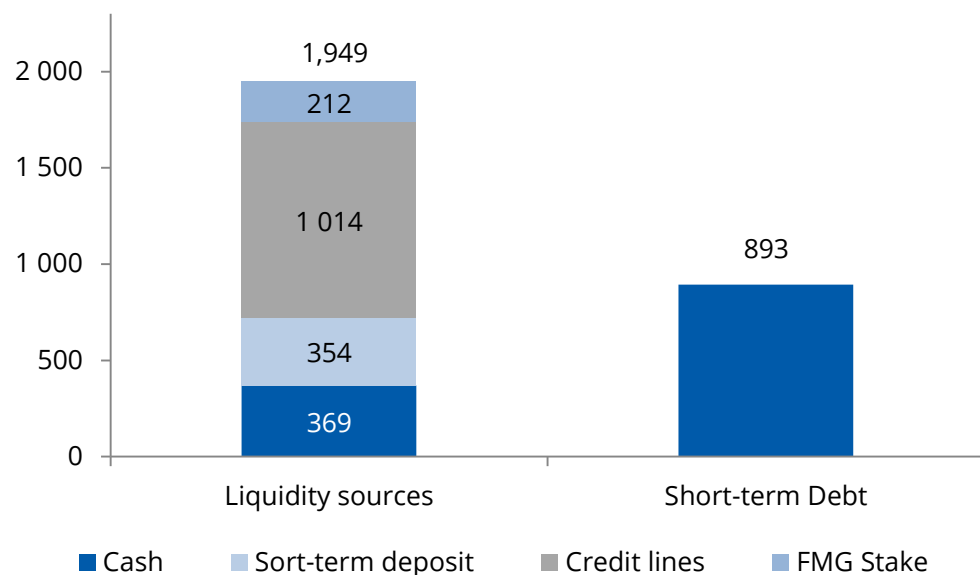


- The share of debt which is denominated in foreign currencies (USD+EUR) amounted to approx. 85% as of 31.12.2015.
- The volume of cash funds and short-term deposits in the MMK Group's balance sheet (USD 723 mln) almost fully covers the short-term debt of MMK Group.
- The debt maturity schedule does not presume any significant one-time payments.

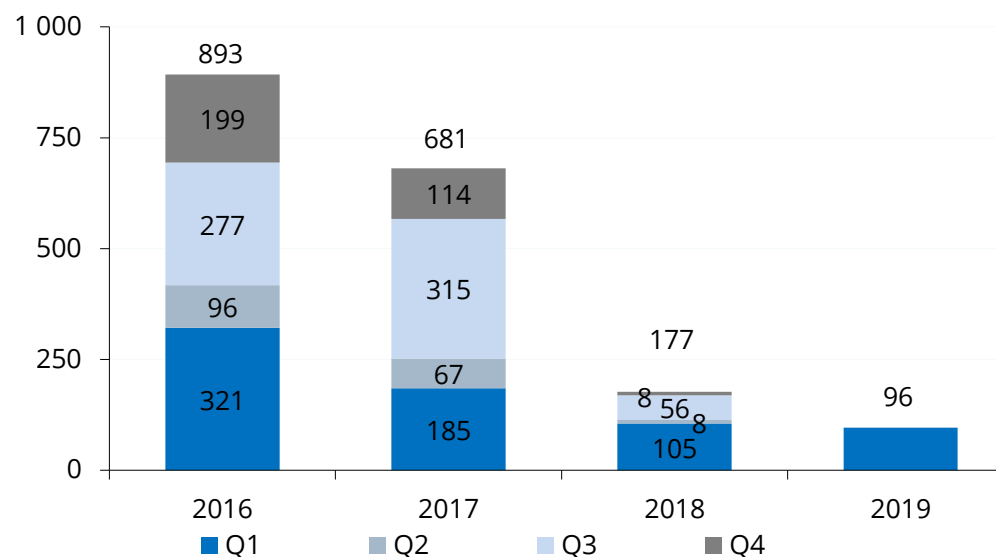
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD



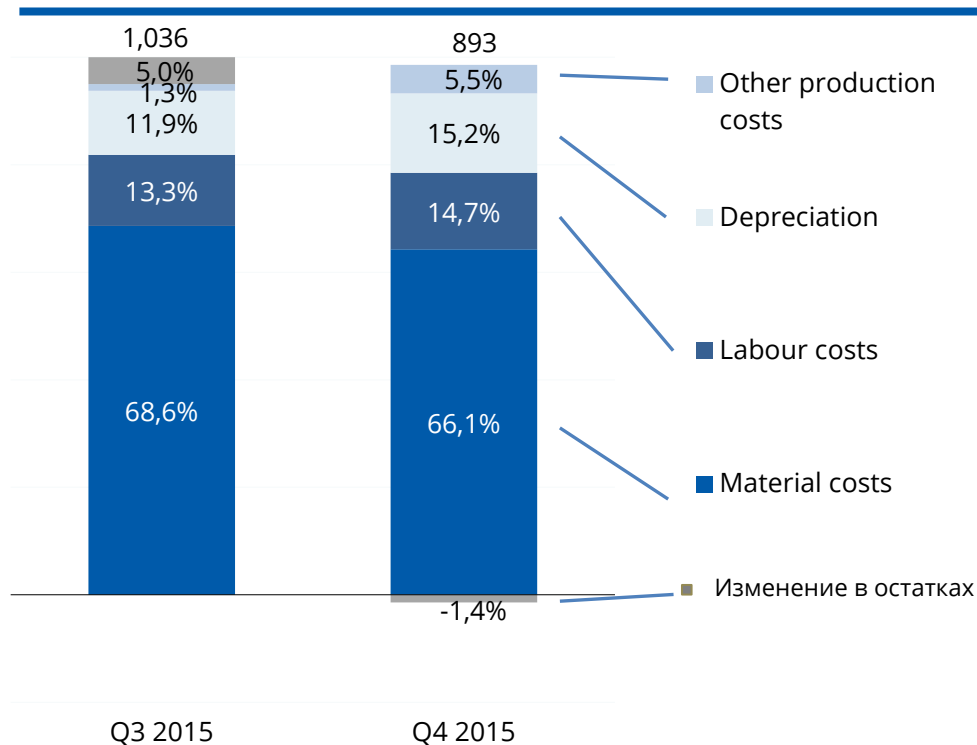


- In Q4 2015, the share of metal scrap (due to a decrease in capacity utilisation of EAFs) decreased in the structure of OJSC MMK's material costs.
- The share of coal and pellets decreased due to maintenance at blast-furnace No.9 which started in December 2015.
- The 12.7% decrease in operating costs in Q4 2015 q-o-q was due to the decline in production volumes, the ruble weakening and cost-optimisation efforts.

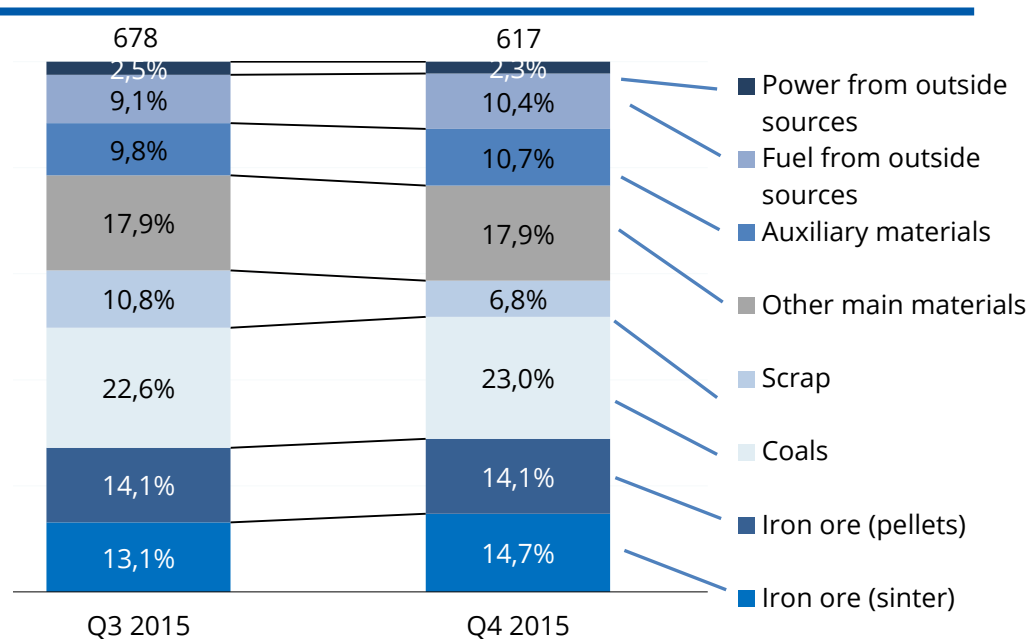
MMK Group operating costs, mln USD

	4 кв. 15	3 кв. 15	+/-	%
Cost of sales	893	1,036	-143	-13,8%
Selling expenses	107	111	-4	-3,6%
General and administrative expenses	53	51	2	+3,9%
Other operating expenses	0	8	-8	-
Total operating expenses	1,053	1,206	-153	-12,7%

Cost of sales, mln USD



OJSC MMK material costs, mln USD





- Management considers that in 2016 the Russian metals industry will remain under pressure from low capacity utilization globally, an increase in exports from China, growing protectionism on export markets and weak domestic demand.
- However, the company's low cost-base, weak raw materials prices, moderate debt load, high operational efficiency, well-funded production assets and high HVA share in the product mix will allow MMK to compete on its traditional sales markets, both with local players and import, while maintaining its financial strength.



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