

MMK Group Trading Update for Q1 2017

MMK Group: Operational highlights

(thousand tonnes)

| | Q1 2017 | Q4 2016 | % | Q1 2017 | Q1 2016 | % |
|-------------------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
| MMK Group crude steel | 3,066 | 3,157 | -2.9% | 3,066 | 3,025 | 1.4% |
| MMK Group steel products | 2,723 | 2,918 | -6.7% | 2,723 | 2,787 | -2.3% |
| MMK steel products | 2,675 | 2,841 | -5.8% | 2,675 | 2,709 | -1.3% |
| MMK-Metiz steel products | 104 | 103 | 0.6% | 104 | 93 | 12.0% |
| MMK Metalurji steel products | 210 | 230 | -8.9% | 210 | 202 | 3.8% |
| <i>MMK Group HVA products</i> | <i>1,313</i> | <i>1,328</i> | <i>-1.2%</i> | <i>1,313</i> | <i>1,249</i> | <i>5.1%</i> |
| <i>MMK Group HVA products share</i> | <i>48.2%</i> | <i>45.5%</i> | | <i>48.2%</i> | <i>44.8%</i> | |
| Belon coal concentrate | 609 | 735 | -17.1% | 609 | 794 | -23.3% |
| Iron ore | 691 | 810 | -14.7% | 691 | 745 | -7.3% |

Q1 2017 highlights vs. Q4 2016 and Q1 2016

- ✓ MMK Group's total crude steel output in Q1 2017 totalled 3,066 thousand tonnes (down 2.9% q-o-q and up 1.4% y-o-y). Overall steelmaking capacity utilisation at the main Magnitogorsk site (excluding planned maintenance) in Q1 2017 exceeded 94%.
- ✓ MMK Group's total finished steel product shipments in Q1 2017 (excluding intra-group sales) amounted to 2,723 thousand tonnes (down 6.7% q-o-q and down 2.3% y-o-y).
- ✓ MMK Group's HVA steel product output in Q1 2017 was 1,313 thousand tonnes (down 1.2% q-o-q and up 5.1% y-o-y). The share of HVA products in total output rose to 48.2%.
- ✓ Production of coal concentrate by Belon in Q1 2017 totalled 609 thousand tonnes (down 17.1% q-o-q).

MMK Group highlights by key segments

Steel segment (Russia)

(thousand tonnes)

| | Q1 2017 | Q4 2016 | % | Q1 2017 | Q1 2016 | % |
|--|--------------|--------------|---------------|--------------|--------------|--------------|
| Pig iron | 2,372 | 2,370 | 0.1% | 2,372 | 2,403 | -1.3% |
| Crude steel | 3,066 | 3,157 | -2.9% | 3,066 | 3,025 | 1.4% |
| Finished products output, of which: | 2,675 | 2,841 | -5.8% | 2,675 | 2,709 | -1.3% |
| Slabs and billets | 0 | 16 | - | 0 | 44 | - |
| Long products | 439 | 411 | 6.8% | 439 | 416 | 5.5% |
| Flat hot-rolled products | 1,197 | 1,382 | -13.4% | 1,197 | 1,262 | -5.2% |
| HVA products, of which: | 1,039 | 1,032 | 0.7% | 1,039 | 986 | 5.3% |
| Thick plate (mill 5000) | 231 | 179 | 29.2% | 231 | 217 | 6.5% |
| Flat cold-rolled products | 352 | 391 | -9.9% | 352 | 340 | 3.5% |
| Downstream products, of which: | 455 | 461 | -1.4% | 455 | 428 | 6.2% |
| Tin plate | 37 | 25 | 48.8% | 37 | 42 | -12.0% |
| Galvanised steel | 258 | 286 | -9.9% | 258 | 246 | 4.9% |
| Polymer-coated steel | 89 | 81 | 9.0% | 89 | 85 | 4.8% |
| Band | 30 | 34 | -11.7% | 30 | 29 | 3.0% |
| Formed section | 24 | 15 | 61.3% | 24 | 9 | 173.8% |
| Pipes | 18 | 21 | -13.9% | 18 | 19 | -2.9% |
| Shipments by market: | | | | | | |
| Russia + CIS | 1,911 | 2,131 | -10.3% | 1,911 | 1,864 | 2.5% |
| Export | 764 | 710 | 7.6% | 764 | 844 | -9.5% |

(USD / tonne)

| | Q1 2017 | Q4 2016 | % | Q1 2017 | Q1 2016 | % |
|---------------------------------|------------|------------|--------------|------------|------------|--------------|
| Average price per tonne: | 573 | 500 | 14.5% | 573 | 324 | 76.8% |
| Long products | 469 | 414 | 13.2% | 469 | 254 | 84.5% |
| Flat hot-rolled products | 494 | 429 | 15.3% | 494 | 256 | 92.9% |
| HVA products, of which: | 708 | 633 | 11.8% | 708 | 446 | 58.7% |
| Thick plate (mill 5000) | 708 | 676 | 4.8% | 708 | 541 | 30.8% |
| Flat hot-rolled products | 585 | 522 | 12.3% | 585 | 316 | 85.1% |
| Downstream products, of which: | 803 | 712 | 12.8% | 803 | 501 | 60.3% |
| Tin plate | 889 | 828 | 7.3% | 889 | 661 | 34.4% |
| Galvanised steel | 762 | 684 | 11.4% | 762 | 457 | 66.7% |
| Polymer-coated steel | 971 | 888 | 9.3% | 971 | 621 | 56.3% |
| Band | 693 | 580 | 19.4% | 693 | 404 | 71.4% |
| Formed section | 776 | 662 | 17.2% | 776 | 446 | 74.0% |
| Pipes | 610 | 523 | 16.6% | 610 | 345 | 76.6% |

- ✓ Pig iron output in Q1 2017 remained flat q-o-q and totalled 2,372 thousand tonnes. The output decreased y-o-y due to the completion of scheduled maintenance at blast furnace No 10 in January-February 2017.
- ✓ Crude steel output in Q1 2017 decreased by 2.9% q-o-q to 3,066 thousand tonnes. The decrease in

crude steel output was due to scheduled maintenance at the basic oxygen converter #3 and continuous casting machine, but was partially balanced by an increase in arc furnace capacity utilisation to 77% (65% in Q4 2016).

- ✓ In Q1 2017, sales of finished products totalled 2,675 thousand tonnes, down 5.8% q-o-q. This decrease was caused by realisation of maintenance programme, seasonal slowdown in economic activity on the domestic market and expectations of a correction in steel prices amid falling prices for coking coal.
- ✓ Weaker demand for steel products on the domestic market in Q1 2017 as compared to Q4 2016 was balanced by the Company redirecting some sales to export markets. As a result, export sales grew 7.6% while the share of export in the overall sales structure amounted to 28.6%.
- ✓ In Q1 2017, sales of long products increased by 6.8% q-o-q to 439 thousand tonnes, mainly due to the completion in Q4 2016 of scheduled maintenance at the wire rod mills, after which production returned to normal levels.
- ✓ Sales of hot-rolled products in Q1 2017 decreased by 13.4% q-o-q mainly due to scheduled maintenance at the basic oxygen converter and in hot rolling shop of mill 2000.
- ✓ Despite a decrease in the total sales volumes in Q1 2017, the Company increased shipments of HVA products by 0.7%. This was due to a recovery in sales of Mill 5000 thick plate, combined with consistently high sales volumes of downstream products.
- ✓ As a result, in Q1 2017 the share of such products in the overall sales structure rose to 38.8% (36.3% in Q4 2016).
- ✓ Sales of cold-rolled products in Q1 2017 decreased by 9.9% q-o-q to 352 thousand tonnes after demand returned to normal levels following a spike in demand from the carmaking industry in Q4 2016.
- ✓ In Q1 2017, sales of Mill 5000 thick plate grew by 52 thousand tonnes (up 29.2% q-o-q) to 231 thousand tonnes. This growth was driven by the materialisation of deferred demand for thick plate from pipe companies.
- ✓ All the coated steel making facilities of the company were fully utilized in Q1 2017, but galvanised steel sales volumes decreased by 28 thousand tonnes (down 9.9% q-o-q). The main reason for such a decrease was scheduled maintenance works at the galvanizing lines in January-February 2017. Nevertheless, the overall demand for galvanized steel was strong and increased by 12 thousand tonnes (up 4.9%) y-o-y.
- ✓ Sales of formed section increased by 61.3% q-o-q in Q1 2017, due to high demand from railcar producers.
- ✓ The average sales price in US dollars in Q1 2017 increased by 14.5% q-o-q to USD 573 per tonne. This growth was mainly due to higher prices for coking coal and iron ore as well as due to the appreciation of the RUB against the USD throughout the quarter.

Steel segment (Turkey)

(thousand tonnes)

| | Q1 2017 | Q4 2016 | % | Q1 2017 | Q1 2016 | % |
|---|------------|------------|--------------|------------|------------|--------------|
| MMK Metalurji finished products, of which: | 210 | 230 | -8.9% | 210 | 202 | 3.8% |
| Flat hot-rolled products | 40 | 37 | 6.6% | 40 | 32 | 23.0% |
| HVA products, of which: | 170 | 193 | -12.0% | 170 | 170 | 0.2% |
| Galvanised steel | 132 | 139 | -4.7% | 132 | 111 | 18.9% |
| Polymer-coated steel | 38 | 54 | -30.5% | 38 | 58 | -35.4% |
| MMK Metalurji finished output from MMK steel | 163 | 156 | 4.6% | 163 | 124 | 31.6% |

- ✓ Sales of finished products in Q1 2017 totalled 210 thousand tonnes (down 8.9% q-o-q). The decrease in sales was due to lower economic activity in connection with expectations that the market environment would improve following possible changes in the Constitution. Nevertheless, sales volumes of finished products were 3.8% higher y-o-y.
- ✓ Despite the continued political instability and devaluation of the local currency in 2017, the Company aims to maintain current maximum utilisation rates.

Raw materials segment (Belon)

(thousand tonnes)

| | Q1 2017 | Q4 2016 | % | Q1 2017 | Q1 2016 | % |
|--------------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
| Coking coal mining | 779 | 953 | -18.3% | 779 | 808 | -3.6% |
| Coking coal processing | 1,047 | 1,288 | -18.7% | 1,047 | 1,270 | -17.6% |
| Mined | 723 | 971 | -25.5% | 723 | 856 | -15.5% |
| Purchased | 324 | 317 | 2.2% | 324 | 414 | -21.7% |
| Coking coal concentrate | 609 | 735 | -17.1% | 609 | 794 | -23.3% |

- ✓ Volumes of coking coal production in Q1 2017 decreased by 18.3% q-o-q to 779 thousand tonnes. This was mainly due to scheduled maintenance at the Kostromovskaya mine in January 2017.
- ✓ Coal concentrate production in Q1 2017 decreased by 17.1% q-o-q to 609 thousand tonnes. The decrease in the processing of mined coal was balanced by an increase in the volume of purchased coal for mono grade coals production.
- ✓ In 2017, the Company expects to increase volumes of coking coal production by increasing extraction at Chertinskaya-Koksovaya mine.

Outlook

Based on Q1 2017 performance, Company management notes that traders have accumulated high stocks of steel products. This, coupled with expectations of a decline in domestic steel prices, will put pressure on the Company's sales in Q2 2017.

However, the current speculative growth in coal prices (caused by weather factors) will provide localised support to steel prices.

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 2016, the company produced 12.5 million tonnes of crude steel and 11.6 million tonnes of commercial steel products. MMK Group had sales in 2016 of USD 5,630 million and EBITDA of USD 1,956 million.

Contacts

Investor Relations Department:

Andrey Serov

+7 3519 24-52-97

serov.ae@mmk.ru

Communications Department:

Dmitry Kuchumov

+7 499 238-26-13

kuchumov.do@mmk.ru

Dmitry Bulin

+7 499 238-26-13

bulin.dn@mmk.ru