



IFRS financial statements for Q1 2017

11 May 2017



Q1 2017 financial results

vs Q4 2016 results,

and Q1 2016 results

Revenue	USD 1,660 mln	● up 7.1% on 4Q 2016	● up 58.1% on 1Q 2016
Cost of sales	USD 1,171 mln	● up 12.7% on 4Q 2016	● up 48.4% on 1Q 2016.
EBITDA	USD 452 mln	● down 0.9% on 4Q 2016.	● up 57.5% on 1Q 2016
EBITDA margin	27.2%	● down 2.2 pp on 4Q 2016	● up 6.3 pp on 1Q 2016
Net profit	USD 241 mln	● up 15.9% on 4Q 2016	● up 53.5% on 1Q 2016
Cash-cost of slab	USD 301 per tonne	● up 28.1% on 4Q 2016	● up 81.3% on 1Q 2016
Free cash flow (FCF)	USD 15 mln	● down 87.9% on 4Q 2016	● down 84.4% on 1Q 2016
CAPEX	USD 121 mln	down 34.6% on 4Q 2016	up 55.1% on 1Q 2016

Dividends

- On 21 April 2017, MMK Group's Board of Directors recommended that the AGM of Shareholders pay dividends on the Company's performance in 2H 2016 of RUB 1.242 per ordinary share, which amounts to 60% of FCF for the period. This sum includes a share of the profits received from selling the company's shares in Fortescue Metals Group (FMG). Thus the total volume of dividends paid by MMK on 2016 may amount to about USD 370 mln.
- Endorsing the Company's plans for more substantive and regular division of profits among shareholders, the Board of Directors approved the new edition of the dividend policy, which stipulates dividends of no less than 50% of Free Cash Flow.



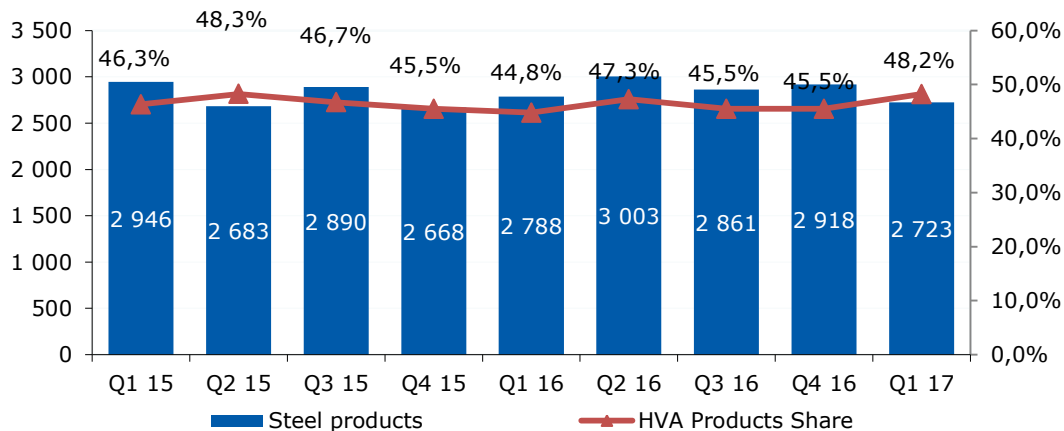
Key production indicators, ths tonnes

	Q1 '17	Q4 '16	%	Q1 '17	Q1 '16	%
Cast 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%
MMK	3,066	3,157	-2.9%	3,066	3,025	1.4%
Finished products incl.	2,723	2,918	-6.7%	2,723	2,787	-2.3%
MMK	2,675	2,841	-5.8%	2,675	2,709	-1.3%
MMK-Metiz*	104	103	0.6%	104	93	12.0%
MMK Metalurji*	210	230	-8.9%	210	202	3.8%
HVA products	1,313	1,328	-1.2%	1,313	1,249	5.1%
Belon coking coal concentrate	609	735	-17.1%	609	794	-23.3%

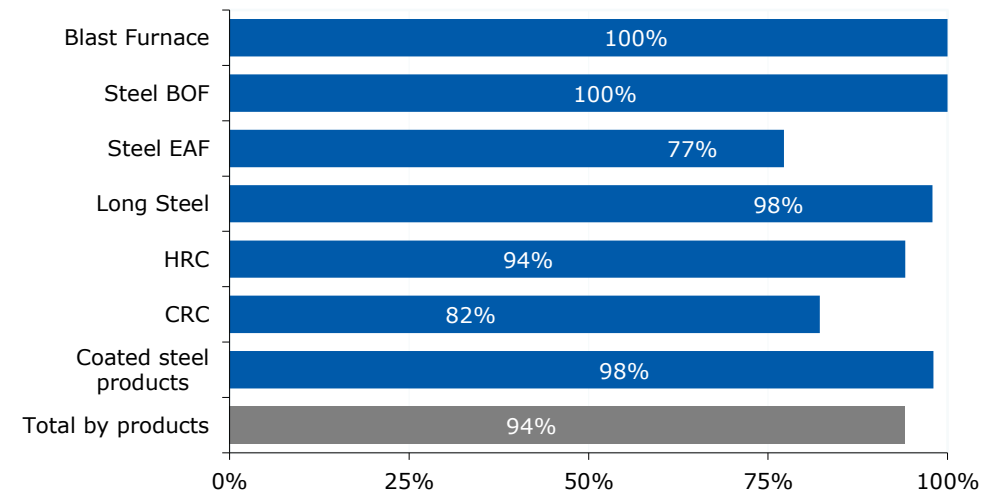
- MMK Group's finished steel products output in Q1 2017 fell 6.7% on Q4 2016.
- Thanks to increased sales volumes of thick plate produced at Mill 5000 in Q1 2017 and stable sales of HVA products, the company was able to increase the share of HVA products in total output volume to 48.2%.
- Total steelmaking capacity utilization rate at Magnitogorsk in Q1 2017 was about 94%.

* - including made from MMK steel

MMK Group finished products dynamics, ths tonnes

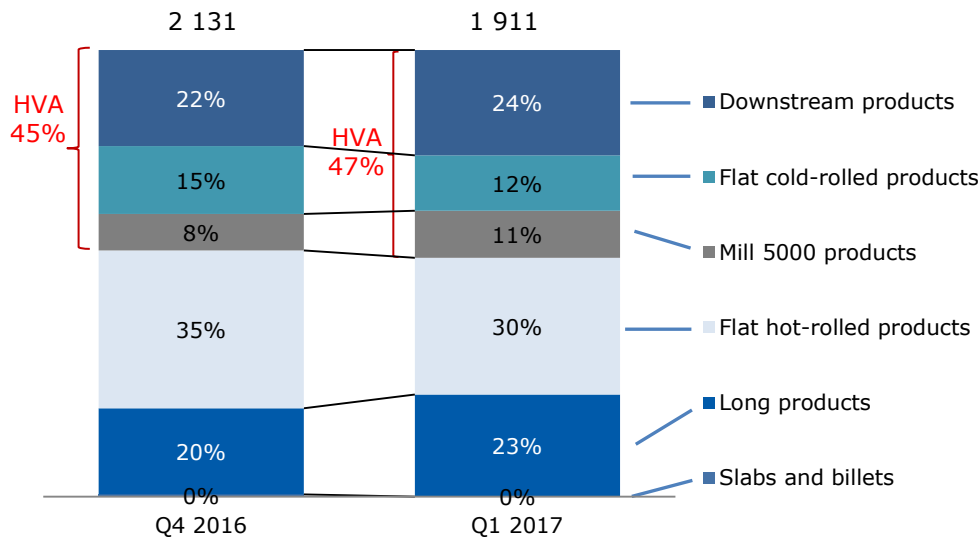


Key capacities utilization rates, Q1 2017, %

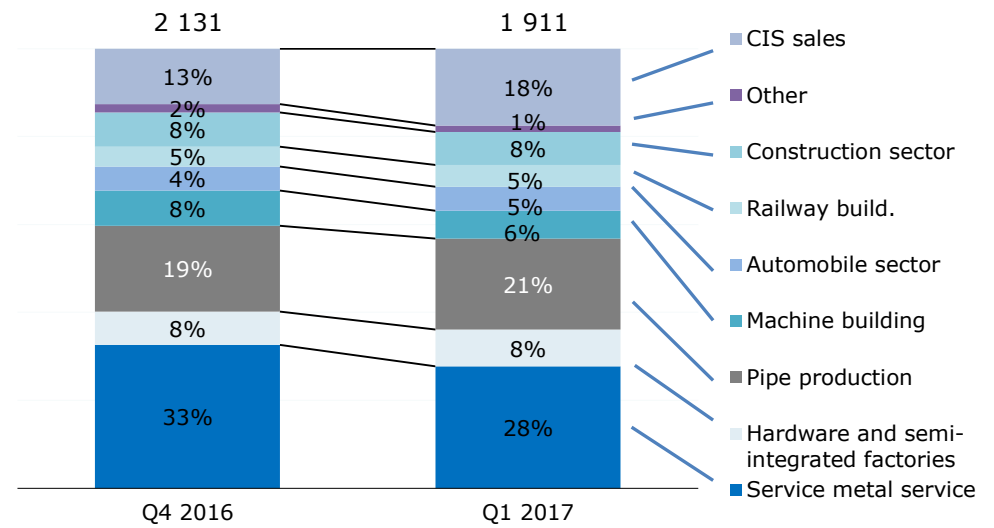




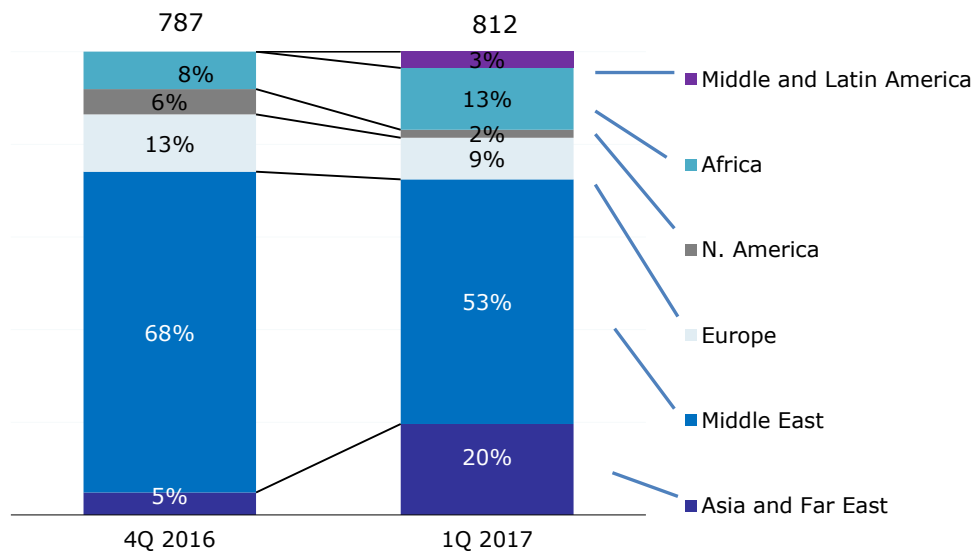
Russian and CIS market sales, ths tonnes



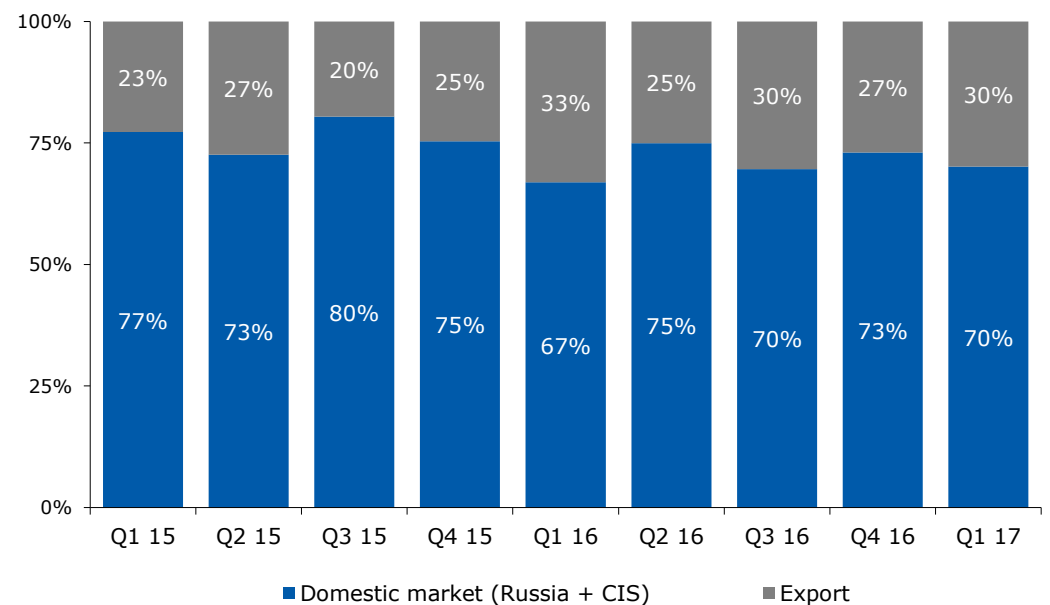
Russia and CIS market sales by sector, ths tonnes



International market sales by region, ths tonnes



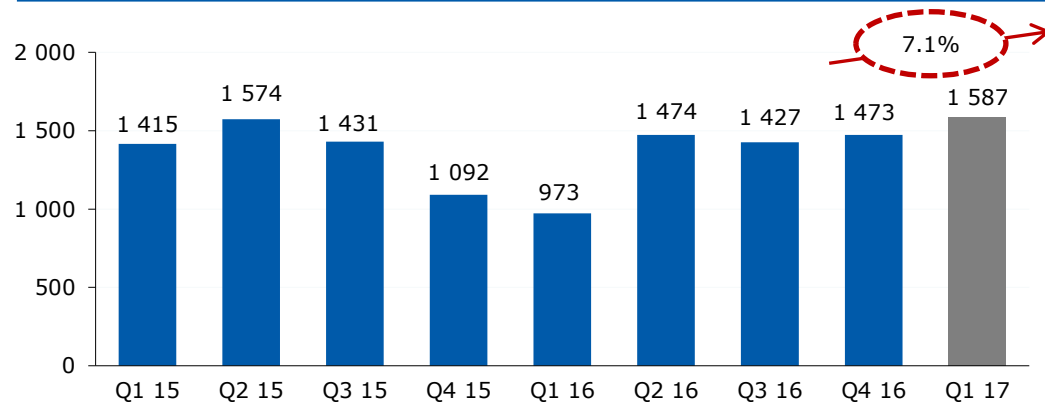
Sales share by market, ths tonnes



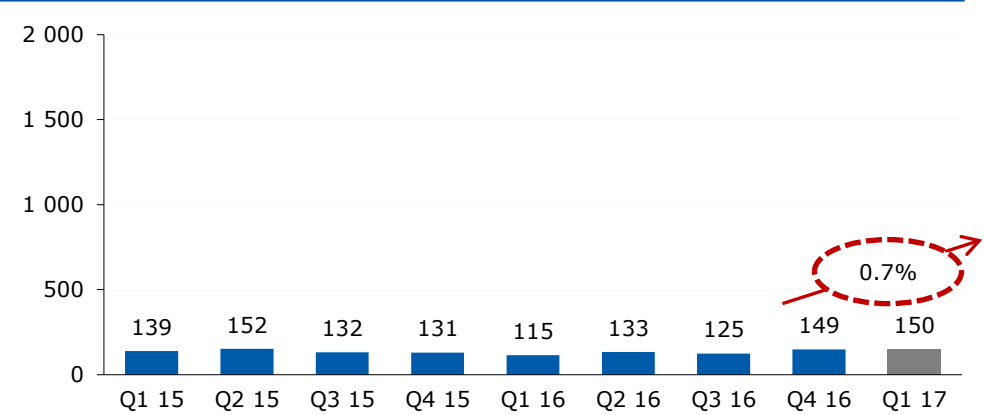


- Revenue for Q1 2017 amounted to USD 1,660 mln, up 7.1% on Q4 2016. This was primarily due to the growth in the average finished products sales price for the steel segment (Russia), and improved results in other Group segments.

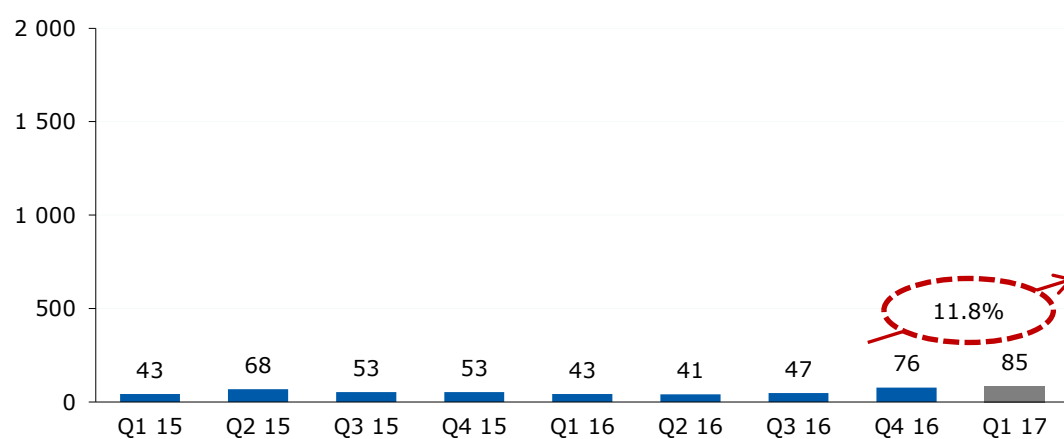
Steel segment revenue (Russia), mln USD



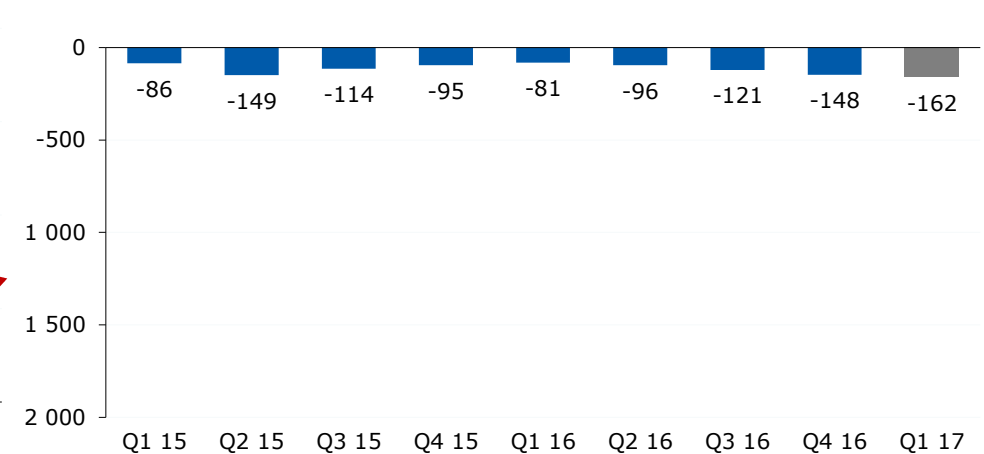
Steel segment revenue (Turkey), mln USD



Coal segment revenue, mln USD



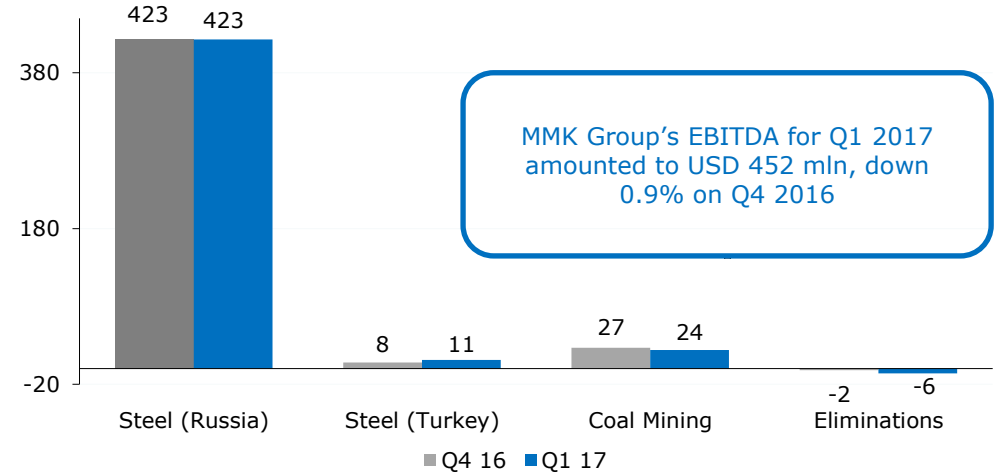
Consolidation, mln USD



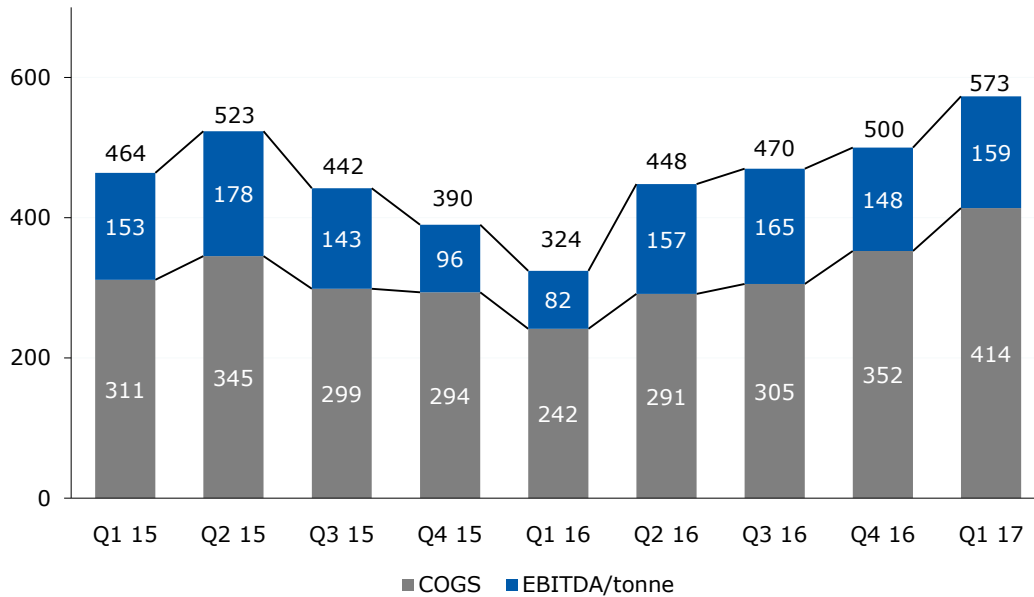


- Average sales price in Q1 2017 increased q-o-q by 14.5% due to maintained high steel prices on international markets on the back of higher coking coal prices and a stronger RUB to the USD.
- EBITDA for the Russian steel segment in Q1 2017 remained unchanged on the previous quarter, despite smaller finished product sales volumes.
- EBITDA for the coal segment amounted to USD 24 mln, down 11.1% on Q4 2016. This fall is due to planned reduction in sales volumes and increased outlay on the purchase of coal for additional charging.
- EBITDA for the steel segment (Turkey) in Q1 2017 amounted to USD 11 mln, up 37.5% q-o-q, thanks to higher sales prices and increased finished product export volumes.

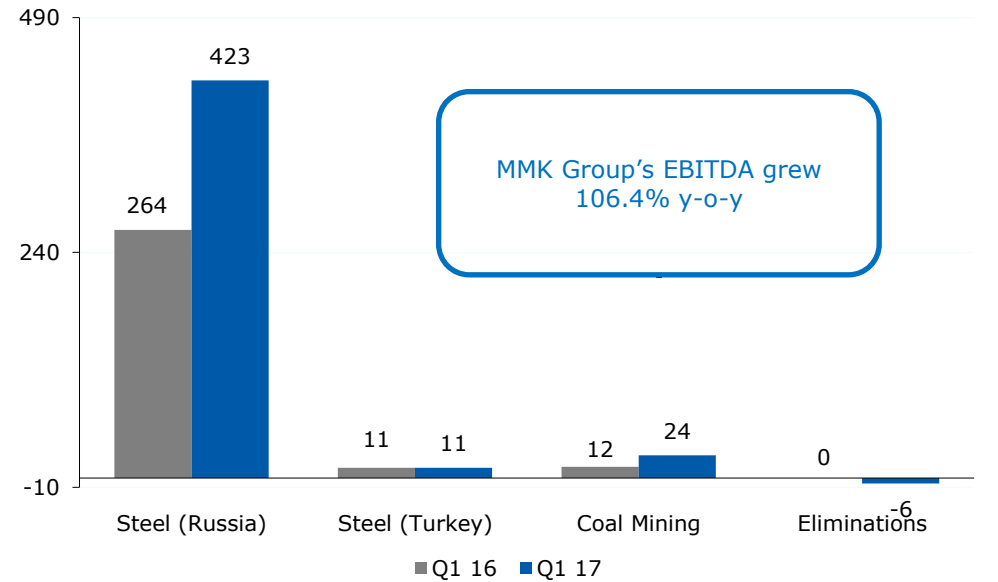
Quarterly EBITDA* dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



Annual EBITDA dynamics, mln USD

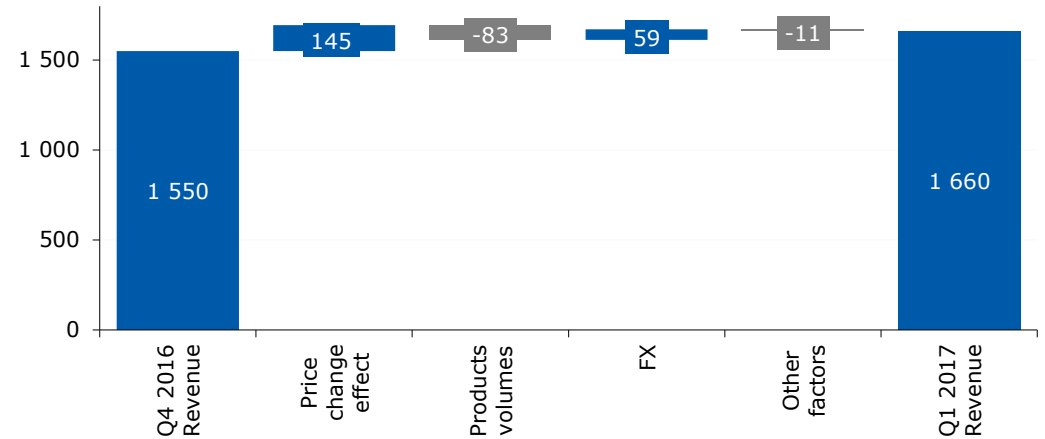


* - including the effect from the sale of FMG shares

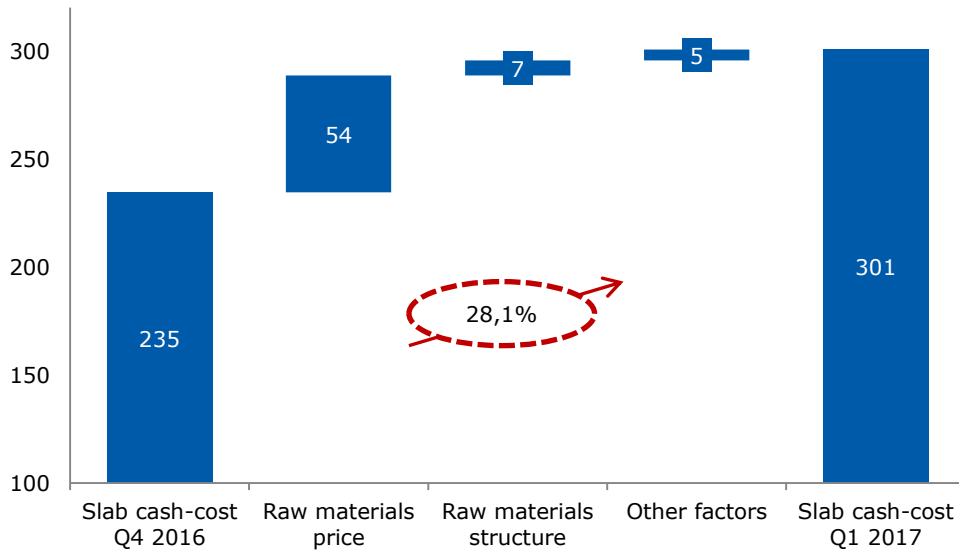


- The main factors that impacted revenue in Q1 2017 were higher prices for steel and the stronger rouble.
- In Q1 2017 the Company's profit amounted to USD 241 mln, up more than 15.9% q-o-q.
- Cash cost of slab in Q1 2017 grew USD 66 per tonne, or 28.1% q-o-q. This growth is chiefly due to higher raw materials prices and a stronger rouble against the USD.

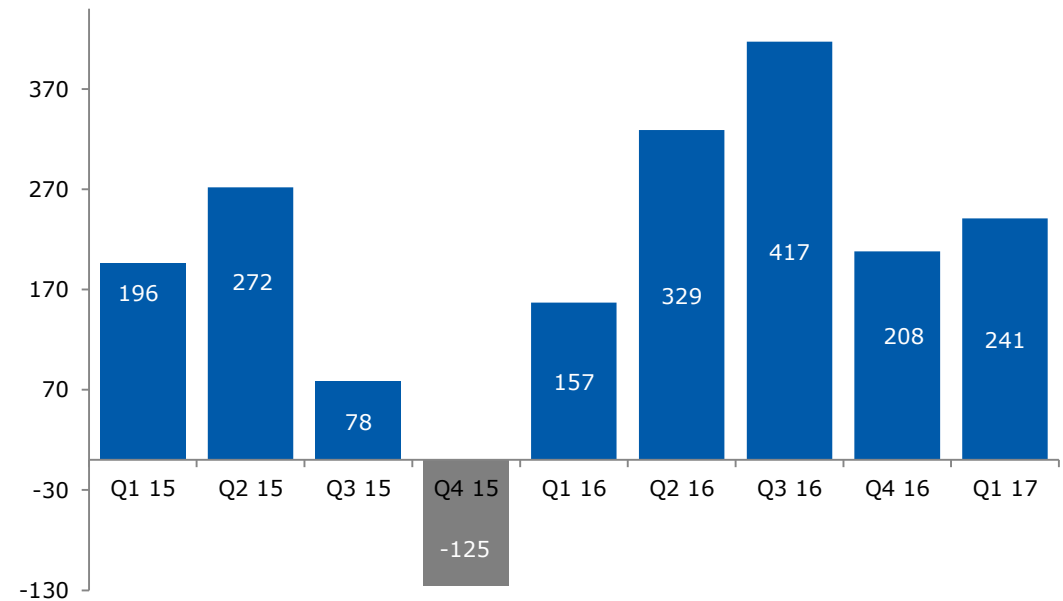
Analysis of revenue, Q1 2017 vs Q4 2016, mln USD



Cash-cost of slab performance, USD/т



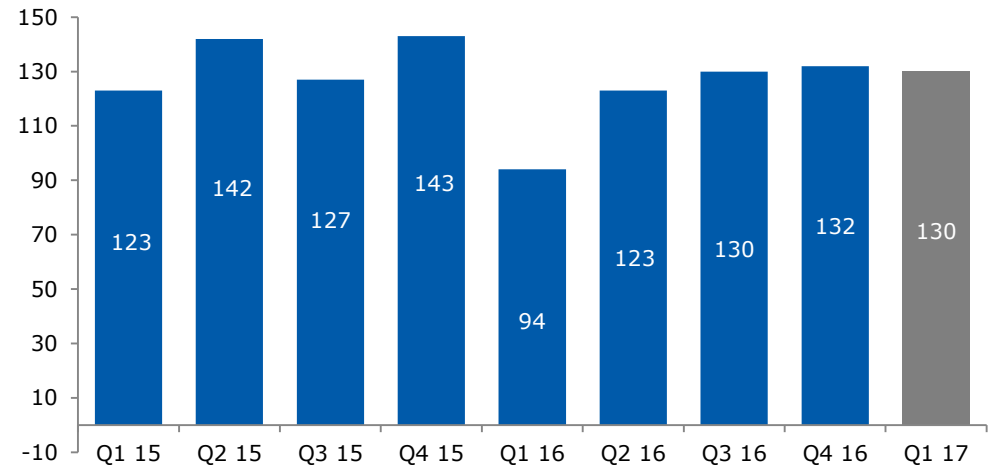
Net profit, mln USD



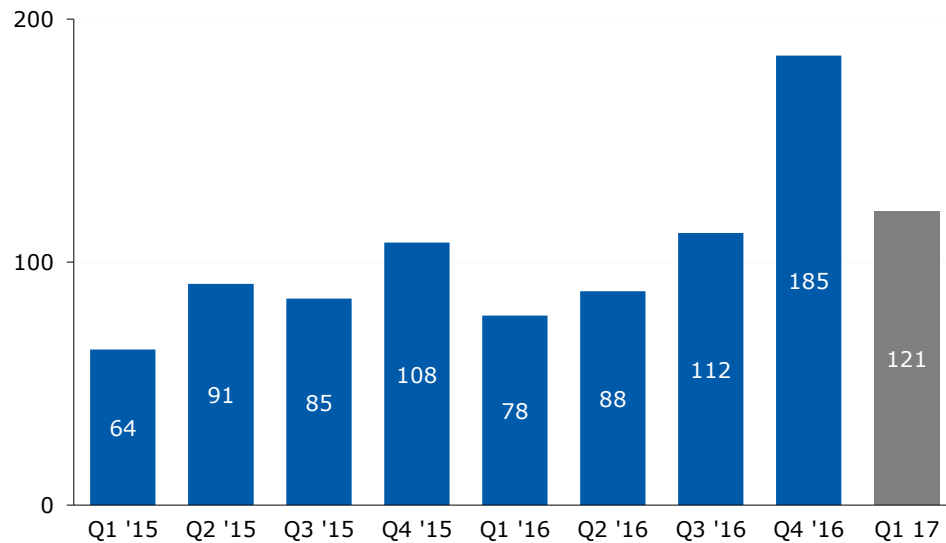


- In Q1 2017, MMK Group CAPEX amounted to USD 121 mln, down 34.6% q-o-q. This reduction is due to the conclusion of major repair work to blast furnace No. 10, which began in Q4 2016.
- In 2017, CAPEX is expected to amount to USD 590 mln – close to the upper limits announced previously, of between USD 0.4 – 0.6 bln.
- The RUB-USD exchange rate will have an impact on CAPEX.

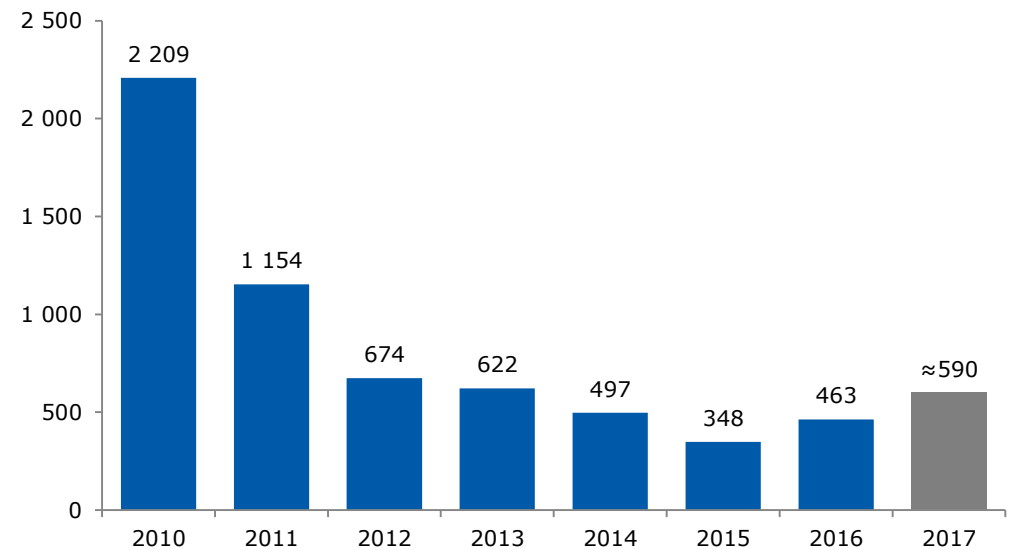
Depreciation, mln USD



Quarterly CAPEX, mln USD

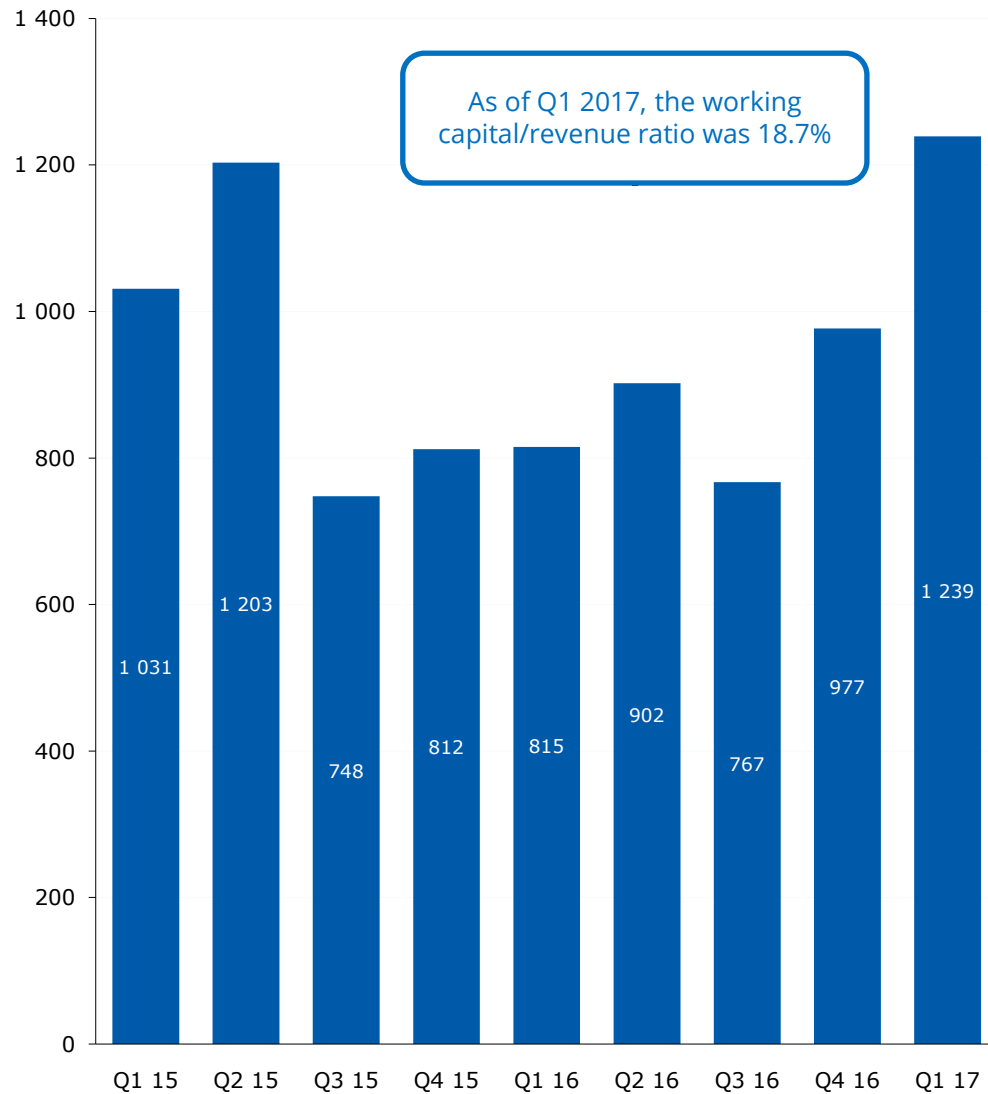


CAPEX, mln USD

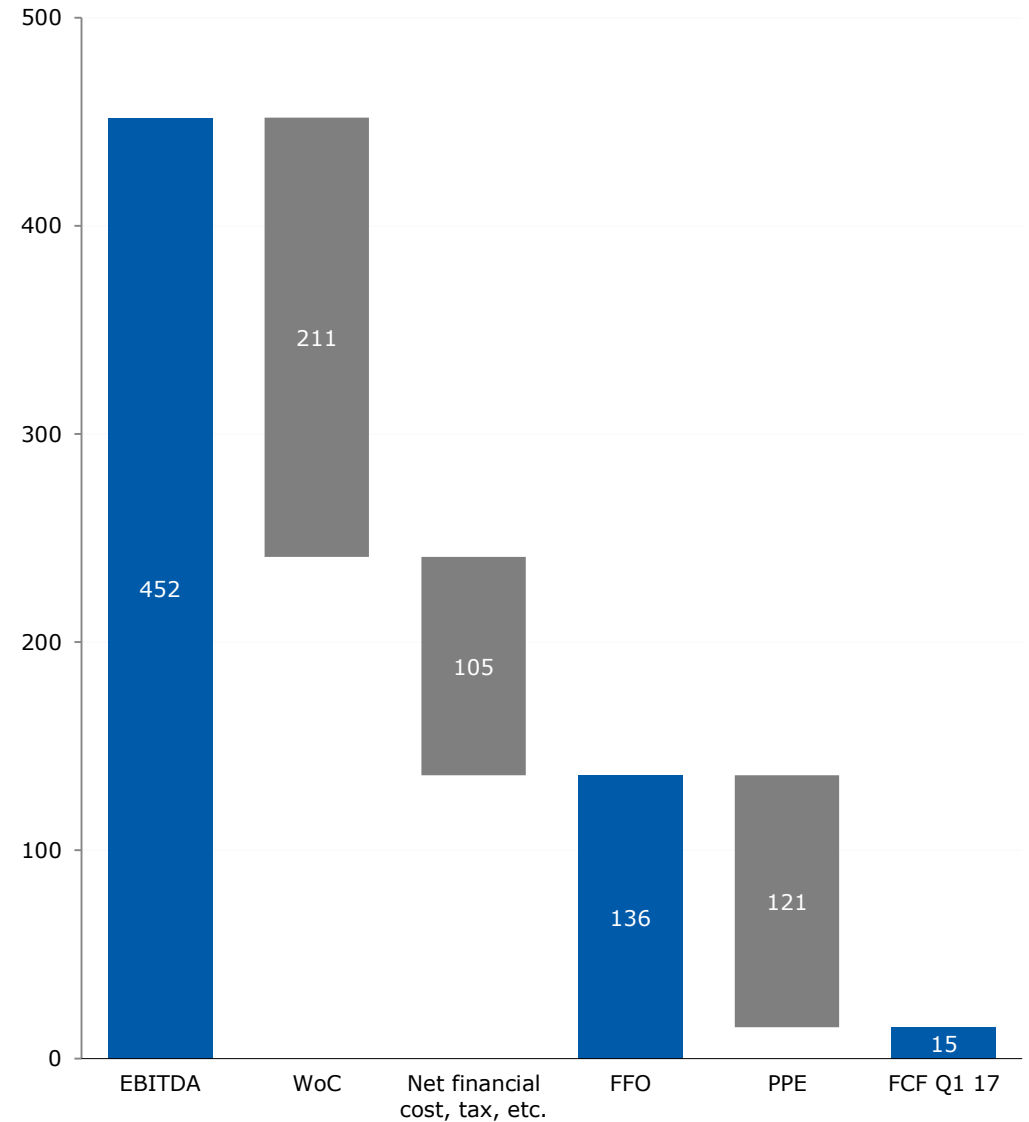




Net working capital, mln USD

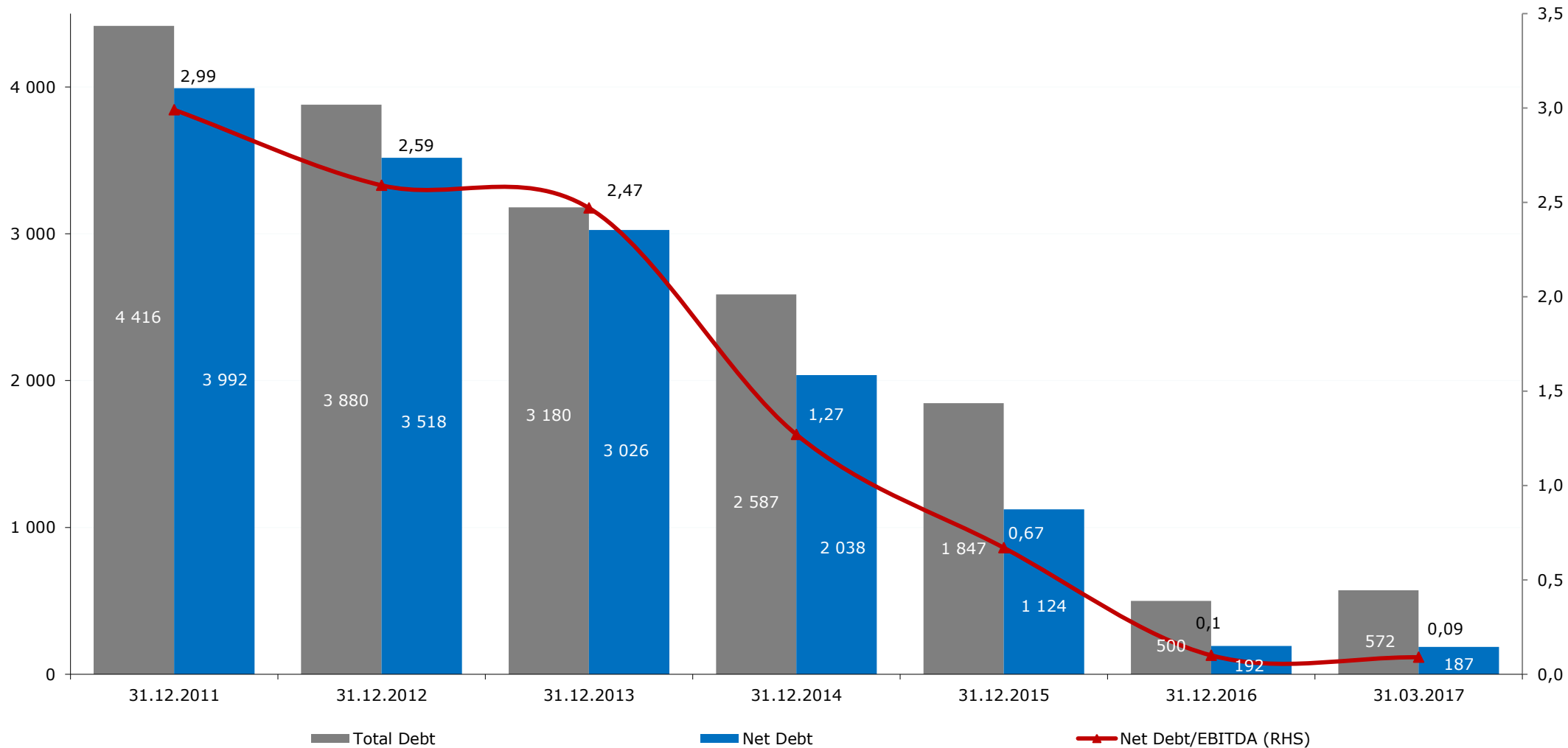


Free Cash Flow (FCF), mln USD





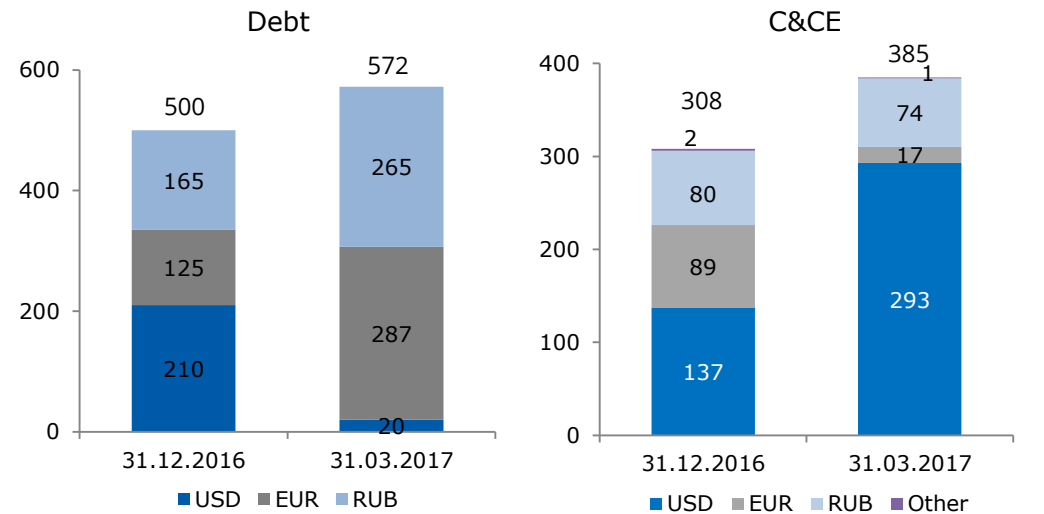
- MMK Group's net debt as of the end of Q1 2017 decreased slightly on 31.12.2016 levels, to USD 187 mln.
- This decrease, and EBITDA increase over the past 12 months, supported a further reduction in the net debt/EBITDA ratio to 0.09x.
- In line with the Company's financing strategy, the Company will attract long-term borrowing to finance the purchase of equipment for major investment projects under coverage of export credit agencies. The rest of the investments will be made using the company's own funds.



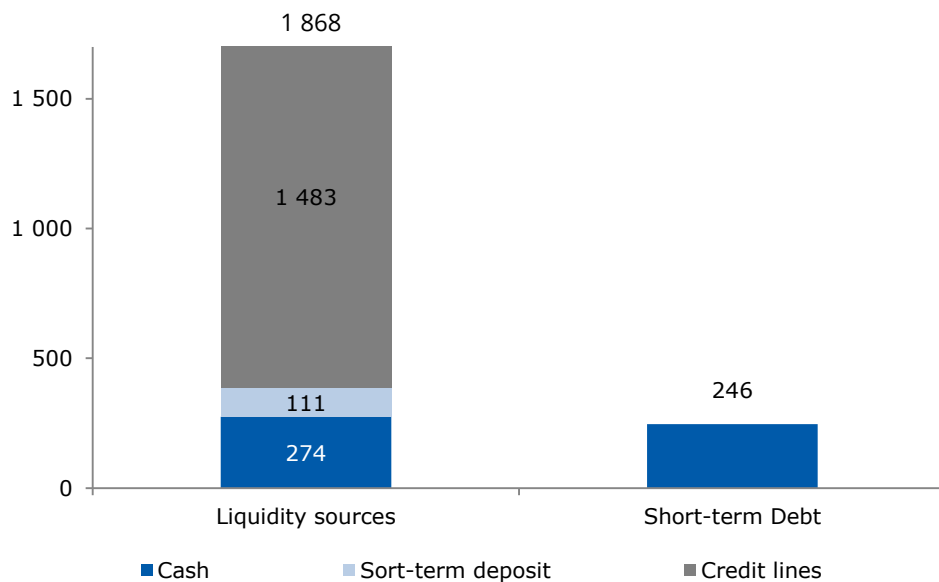


- The share of debt which is denominated in foreign currencies (USD, EUR) as of 31.03.2017 amounted to 54%.
- The volume of cash funds and short-term deposits on MMK Group's balance sheet (USD 274 mln) fully covers MMK Group's short-term debt.
- MMK Group's debt maturity schedule does not presume any significant one-off payments.

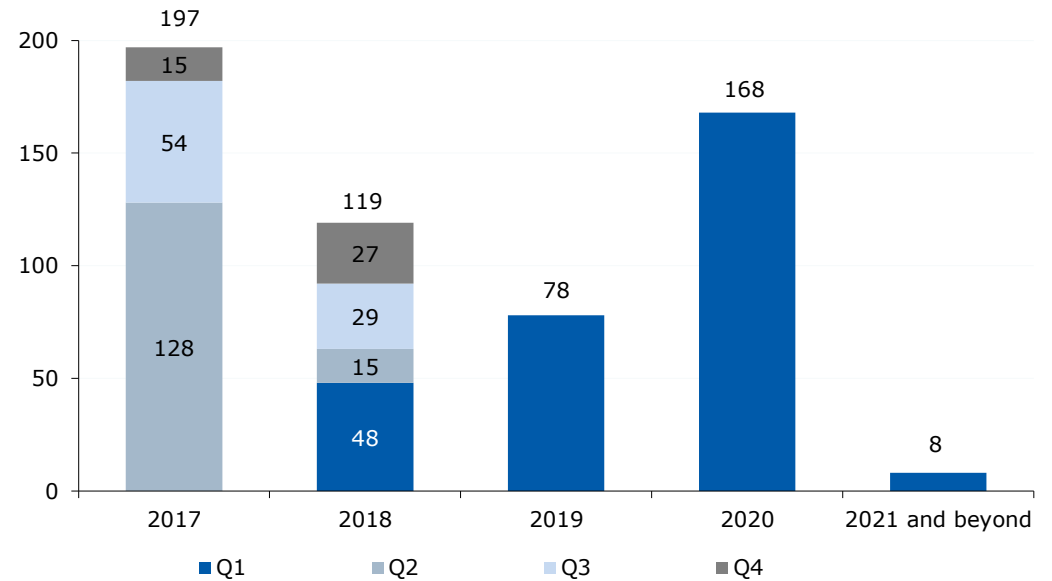
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule*, mln USD



* - lease not included

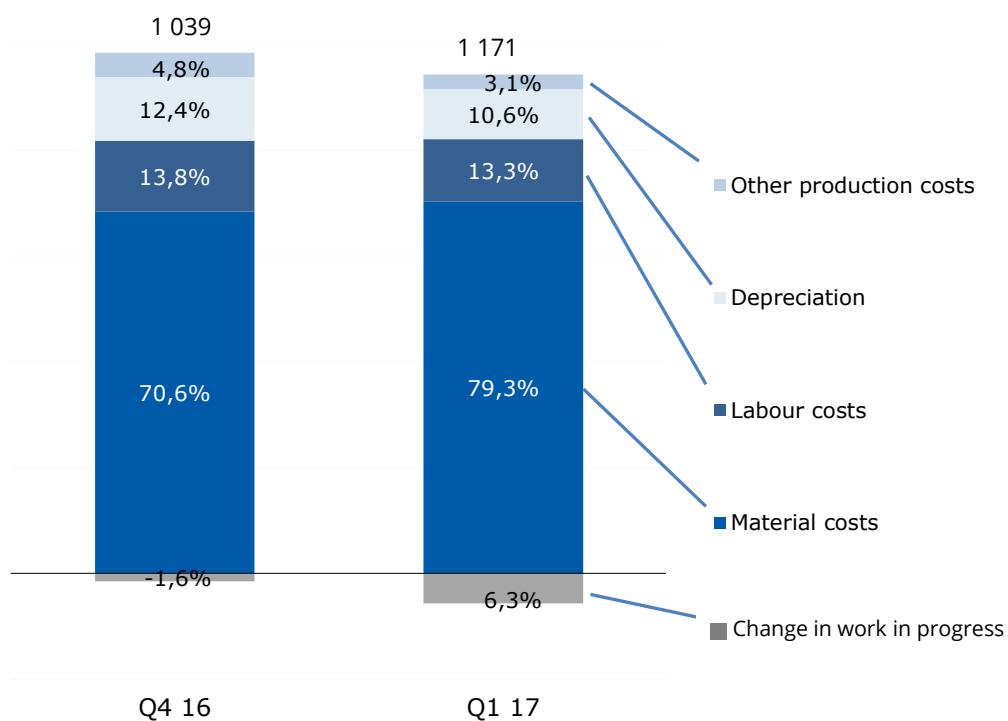


- In Q1 2017, the share of coal increased in the structure of OJSC MMK's material costs, due to higher purchase price amid speculative growth in global prices for coking coal.
- The increase in operating costs in Q1 2017 by 9.1% q-o-q is due to higher prices for key raw materials and the stronger rouble.

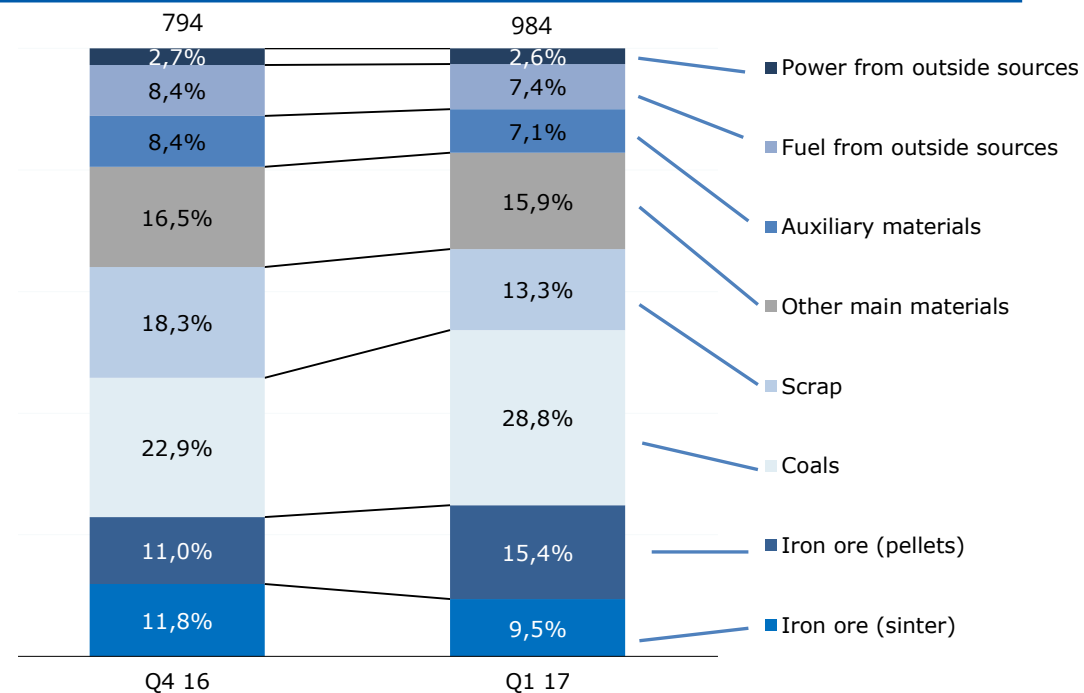
MMK Group operating costs, mln USD

	Q1 '17	Q4 '16	+/-	%
Cost of sales	1,171	1,039	132	12.7%
Selling expenses	115	131	-16	-12.2%
General and Administrative Expenses	57	56	1	1.8%
Other Operational Expenses	-2	3	-5	-
Total Operational Costs	1,341	1,229	112	9.1%

Cost of sales, mln USD



MMK material costs, mln USD





- Currently, the Company's management observes slowing domestic demand linked to high reserve levels in traders' stockpiles. By June 2017, after these levels normalize, demand for steel on the domestic market is expected to return to its usual seasonal levels.
- It's expected that in 2017 demand for steel in Russia should be 1-2% higher than in 2016.



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