

# MMK Group Trading Update for Q3 and 9M 2017

## MMK Group: Operational highlights

(thousand tonnes)

	Q3 2017	Q2 2017	%	9M 2017	9M 2016	%
<b>MMK Group crude steel</b>	<b>3,321</b>	<b>3,182</b>	<b>4.4%</b>	<b>9,569</b>	<b>9,387</b>	<b>1.9%</b>
<b>MMK Group steel products</b>	<b>3,175</b>	<b>2,882</b>	<b>10.2%</b>	<b>8,759</b>	<b>8,652</b>	<b>1.2%</b>
MMK steel products	3,091	2,780	11.2%	8,546	8,484	0.7%
MMK-Metiz steel products	117	111	4.8%	332	306	8.5%
MMK Metalurji steel products	249	253	-1.5%	712	624	14.2%
<i>MMK Group HVA products</i>	<i>1,445</i>	<i>1,288</i>	<i>12.2%</i>	<i>4,046</i>	<i>3,971</i>	<i>1.9%</i>
<i>MMK Group HVA products share</i>	<i>45.5%</i>	<i>44.7%</i>		<i>46.2%</i>	<i>45.9%</i>	
<b>Coal concentrate (MMK Coal)</b>	<b>658</b>	<b>699</b>	<b>-5.9%</b>	<b>1,965</b>	<b>2,135</b>	<b>-8.0%</b>

### Q3 2017 highlights vs. Q2 2017

- ✓ MMK Group's total crude steel output in Q3 2017 totalled 3,321 thousand tonnes (up 4.4% q-o-q). Overall steelmaking capacity utilisation at the main Magnitogorsk site (excluding planned maintenance) in Q3 2017 amounted to approximately 95%.
- ✓ MMK Group's total finished steel product shipments in Q3 2017 (excluding intra-group sales) amounted to 3,175 thousand tonnes (up 10.2% q-o-q).
- ✓ MMK Group's HVA steel product output in Q3 2017 was 1,445 thousand tonnes (up 12.2% q-o-q). The share of HVA products in total output increased to 45.5%.
- ✓ Production of coal concentrate by MMK Coal in Q3 2017 totalled 658 thousand tonnes (down 5.9% q-o-q).

### 9M 2017 highlights vs. 9M 2016

- ✓ MMK Group's total crude steel output in 9M 2017 totalled 9,569 thousand tonnes (up 1.9% y-o-y). Overall steelmaking capacity utilisation at the main Magnitogorsk site (excluding planned maintenance) in 9M 2017 exceeded 93%.
- ✓ MMK Group's total finished steel product shipments in 9M 2017 (excluding intra-group sales) amounted to 8,759 thousand tonnes (up 1.2% y-o-y).
- ✓ MMK Group's HVA steel product output in 9M 2017 was 4,046 thousand tonnes (up 1.9% y-o-y). The share of HVA products in total output increased to 46.2%.
- ✓ Production of coal concentrate by MMK Coal in 9M 2017 totalled 1,965 thousand tonnes (down 8.0% y-o-y).

# MMK Group highlights by key segments

## Steel segment (Russia)

(thousand tonnes)

	Q3 2017	Q2 2017	%	9M 2017	9M 2016	%
<b>Pig iron</b>	<b>2,559</b>	<b>2,578</b>	<b>-0.8%</b>	<b>7,509</b>	<b>7,283</b>	<b>3.1%</b>
<b>Crude steel</b>	<b>3,321</b>	<b>3,182</b>	<b>4.4%</b>	<b>9,569</b>	<b>9,387</b>	<b>1.9%</b>
<b>Finished products output, of which:</b>	<b>3,091</b>	<b>2,780</b>	<b>11.2%</b>	<b>8,546</b>	<b>8,484</b>	<b>0.7%</b>
Slabs and billets	2	0	-	2	88	-97.6%
Long products	469	460	1.9%	1,368	1,319	3.7%
Flat hot-rolled products	1,496	1,355	10.4%	4,048	3,938	2.8%
HVA products, of which:	1,125	965	16.6%	3,129	3,138	-0.3%
Thick plate (mill 5000)	186	193	-3.5%	610	644	-5.2%
Flat cold-rolled products	375	286	30.9%	1,014	1,064	-4.7%
Downstream products, of which:	564	486	16.1%	1,505	1,431	5.2%
Tin plate	32	29	11.1%	98	115	-14.6%
Galvanised steel	325	251	29.7%	836	851	-1.8%
Polymer-coated steel	132	119	10.9%	340	279	21.7%
Band	30	34	-10.4%	91	89	2.2%
Formed section	27	33	-20.0%	84	35	139.3%
Pipes	18	20	-11.5%	57	61	-7.5%
<b>Shipments by market:</b>						
Russia + CIS	<b>2,484</b>	<b>2,079</b>	<b>19.5%</b>	<b>6,474</b>	<b>6,104</b>	<b>6.1%</b>
Export	<b>607</b>	<b>701</b>	<b>-13.4%</b>	<b>2,072</b>	<b>2,379</b>	<b>-12.9%</b>

(USD / tonne)

	Q3 2017	Q2 2017	%	9M 2017	9M 2016	%
<b>Average price per tonne:</b>	<b>555</b>	<b>556</b>	<b>-0.2%</b>	<b>561</b>	<b>411</b>	<b>36.5%</b>
Long products	496	457	8.5%	474	334	41.9%
Flat hot-rolled products	476	471	1.1%	480	336	42.9%
HVA products, of which:	686	724	-5.2%	705	543	29.8%
Thick plate (mill 5000)	774	778	-0.5%	750	593	26.5%
Flat hot-rolled products	545	567	-3.9%	566	406	39.4%
Downstream products, of which:	751	794	-5.4%	781	621	25.8%
Tin plate	834	844	-1.2%	859	778	10.4%
Galvanised steel	709	750	-5.5%	739	580	27.4%
Polymer-coated steel	898	932	-3.6%	929	774	20.0%
Band	600	689	-12.9%	658	485	35.7%
Formed section	704	813	-13.4%	766	577	32.8%
Pipes	593	604	-1.8%	602	432	39.4%

- ✓ Pig iron output in Q3 2017 was flat q-o-q and totalled 2,559 thousand tonnes, which corresponds to the maximum capacity utilisation of blast furnace production.
- ✓ Crude steel output in Q3 2017 increased by 4.4% q-o-q to 3,321 thousand tonnes. This growth was due to an increase of EAF capacity utilisation amid higher demand for metal.
- ✓ In Q3 2017, sales of finished products totalled 3,091 thousand tonnes, up 11.2% q-o-q. This increase was mainly due to the seasonal recovery of demand for metal on the domestic market, as well as lower stocks at the Company's warehouses.

- ✓ Pick-up in business activity on the domestic market in Q3 2017 as compared to Q2 2017 resulted in an 19.5% increase in sales and an increase in the share of domestic sales in the overall sales structure to 80.4% (up from 74.8% in Q2 2017).
- ✓ In Q3 2017, sales of long products increased by 1.9% q-o-q to 469 thousand tonnes. Capacity utilisation of long products production facilities is close to 100%, while high demand for construction metal on the domestic market resulted in an increase in sales prices for this product by 8.5% q-o-q.
- ✓ In 9M 2017, sales of long products increased by 3.7% y-o-y, due to the current sales mix and higher sales of MMK-Metiz products.
- ✓ The 10.4% increase in sales of hot-rolled products q-o-q in Q3 2017 was mainly due to higher sales to pipemakers and construction industry.
- ✓ Sales of HVA products in Q3 2017 grew significantly by 16.6% q-o-q and totalled 1,125 thousand tones. This was due to higher sales of cold-rolled and downstream products (thanks to improved production mix following the launch of a galvanising unit in June 2017).
- ✓ Significant growth in sales of cold-rolled products in Q3 2017 (up 30.9% q-o-q to 375 thousand tonnes) was due to both higher sales to the automotive and construction industries, as well as sales of the Company's seasonal warehouse stocks accumulated in H1 2017.
- ✓ Sales of cold-rolled products in 9M 2017 decreased by 4.7% y-o-y due to higher demand for polymer-coated steel.
- ✓ In Q3 2017, sales of mill 5000 thick plate remained flat q-o-q and amounted to 186 thousand tonnes. A 5.2% decrease in sales of this product for 9M 2017 was due to the changes in production mix in favour of less productive assortment.
- ✓ Capacity utilisation at coated-product facilities remained at nearly 100% in Q3 2017. Higher shipments of galvanised steel (up 29.7% q-o-q) and polymer-coated metal (up 10.9% q-o-q) was due to increased sales of the Company's stocks amid high demand for construction products.
- ✓ In 9M 2017, sales of polymer-coated metal amounted to 61 thousand tonnes (up 21.7% y-o-y). This was due to the recovery in demand for construction products on the domestic market.
- ✓ Sales of formed section in 9M 2017 grew 139.3% y-o-y due to the recovery in demand from railcar producers.
- ✓ The average sales price in US dollars in Q3 2017 remained flat q-o-q at USD 555 per tonne. High prices on export markets and the start of the recovery in domestic prices allowed to compensate for the depreciation of the RUB against the USD during the quarter.

## Steel segment (Turkey)

(thousand tonnes)

	Q3 2017	Q2 2017	%	9M 2017	9M 2016	%
<b>MMK Metalurji finished products, of which:</b>	<b>249</b>	<b>253</b>	<b>-1.5%</b>	<b>712</b>	<b>624</b>	<b>14.2%</b>
Flat hot-rolled products	46	41	10.4%	127	96	31.3%
HVA products, of which:	204	212	-3.8%	586	527	11.1%
Galvanised steel	159	167	-5.1%	458	372	23.0%
Polymer-coated steel	45	45	1.0%	128	155	-17.7 %
<b>MMK Metalurji finished output from MMK steel</b>	<b>166</b>	<b>154</b>	<b>8.1%</b>	<b>504</b>	<b>459</b>	<b>9.9%</b>

- ✓ Sales of finished products in Q3 2017 remained high and totalled 249 thousand tonnes.
- ✓ Sales of finished products in 9M 2017 grew 88 thousand tonnes or 14.2% y-o-y.
- ✓ This growth was mainly due to an increase in sales of galvanised steel (thanks to higher productivity of the production facilities) by 86 thousand tonnes or 23.0%, which increased the sales profitability in the current environment.
- ✓ Stabilisation of the political situation in the country, high domestic demand and an increase in export sales

mean higher sales expectations in 2017 as compared to 2016.

## Coal segment

(thousand tonnes)

	Q3 2017	Q2 2017	%	9M 2017	9M 2016	%
<b>Coking coal mining</b>	<b>823</b>	<b>855</b>	<b>-3.7%</b>	<b>2,457</b>	<b>2,463</b>	<b>-0.2%</b>
<b>Coking coal processing</b>	<b>1,225</b>	<b>1,257</b>	<b>-2.5%</b>	<b>3,529</b>	<b>3,670</b>	<b>-3.8%</b>
Mined	809	934	-13.4%	2,466	2,603	-5.3%
Purchased	416	323	28.8%	1,063	1,067	-0.4%
<b>Coking coal concentrate</b>	<b>658</b>	<b>699</b>	<b>-5.9%</b>	<b>1,965</b>	<b>2,135</b>	<b>-8.0%</b>

- ✓ Coking coal production in Q3 2017 amounted to 823 thousand tonnes, slightly declining by 3.7% q-o-q (due to mining amid more complex geological settings).
- ✓ Coking coal production in 9M 2017 remained flat y-o-y and amounted to 2,457 thousand tonnes.
- ✓ Coal concentrate production in Q3 2017 amounted to 658 thousand tonnes, down 5.9% q-o-q. The decrease was due to higher raw coal ash content at the Kastromovskaya mine at a section with complex bed position, which resulted in lower coal concentrate output.
- ✓ In 9M 2017, coal concentrate production decreased by 8.0% y-o-y to 1,965 thousand tonnes. Lower coal concentrate production was due to higher ash content of own coking coal as a result of scheduled maintenance at the Kastromovskaya mine.
- ✓ Despite lower coal production in Q3 2017, the Company expects to increase volumes of coking coal production at its mines in FY 2017.

## Outlook

High domestic demand in Q3 2017 enabled the Company to fully sell its seasonal stocks of high-margin products, which resulted in a significant cash inflow from working capital.

Management expects higher sales, improved sales mix and lower costs for key raw materials to result in a significant improvement in the Group's EBITDA for Q3 2017.

Cash inflow from working capital will additionally support the Company's free cash flow.

The Company's management expects a slight decline in sales in Q4 2017 amid a seasonal slowdown of business on the Company's key markets.

*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](mailto:serov.ae@mmk.ru)

**Communications Department:**

Dmitry Kuchumov

+7 499 238-26-13

[kuchumov.do@mmk.ru](mailto:kuchumov.do@mmk.ru)

Dmitry Bulin

+7 499 238-26-13

[bulin.dn@mmk.ru](mailto:bulin.dn@mmk.ru)