



**MAGNITOGORSK
IRON & STEEL
WORKS**

IFRS financial statements for Q2 and H1 2015

KEY HIGHLIGHTS FOR MMK GROUP

Q2 2015 Financial results

Revenue	USD 1,645 mln	●	up 8.9% q-o-q
Cost of sales	USD 1,107 mln	●	up 8.7% q-o-q
EBITDA	USD 493 mln	●	up 4.9% q-o-q
EBITDA margin	30.0%	●	down 1.1 p.p. q-o-q
Net profit	USD 272 mln	●	up 38.8% q-o-q highest net profit since Q4 2009
Cash-cost of slab	USD 240 per tonne	●	up 15.9% q-o-q
Free cash flow	USD 179 mln	●	down 5.8% q-o-q
CAPEX	USD 91 mln	●	up 42.2% q-o-q

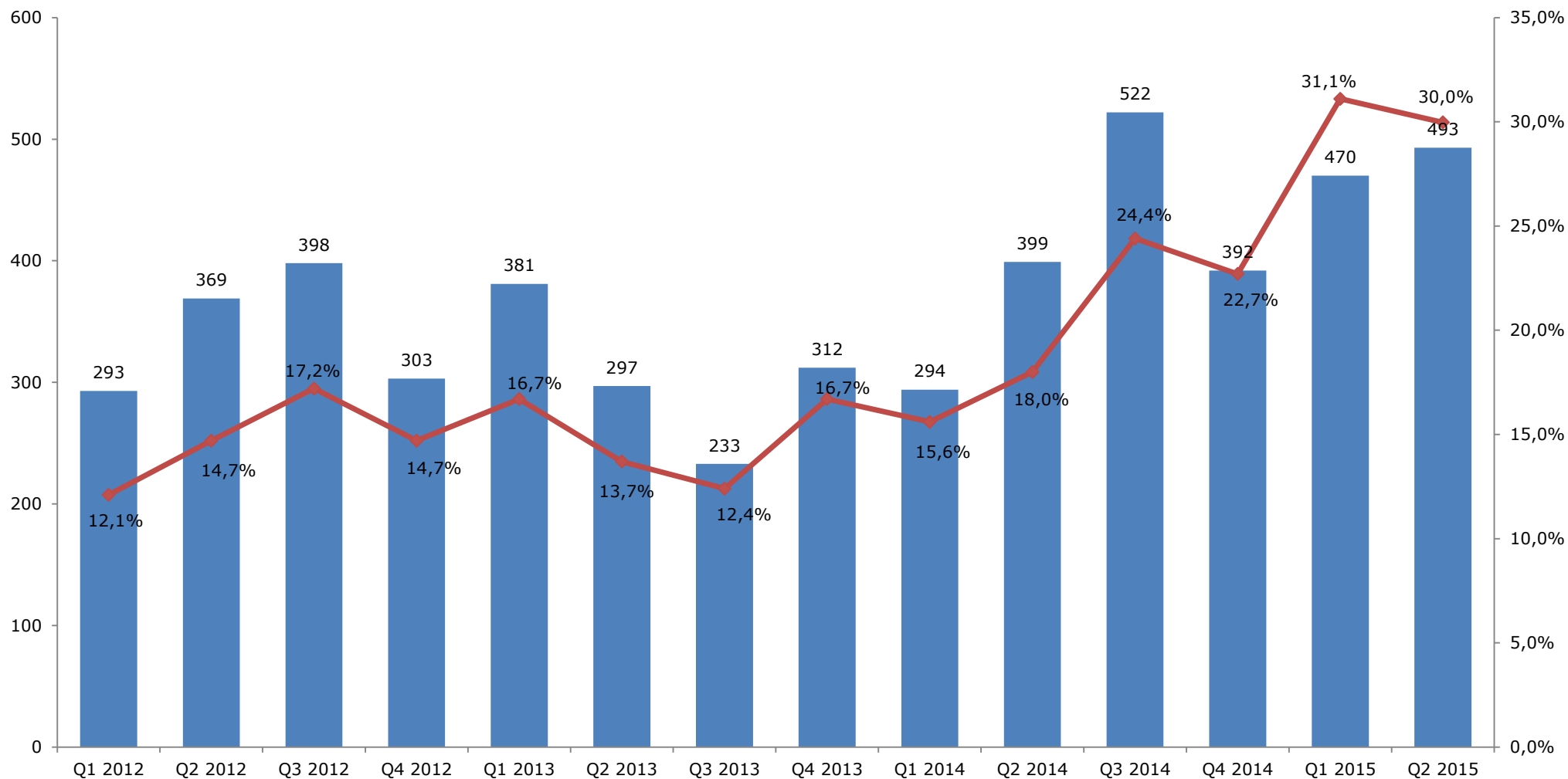
H1 2015 Financial results

Revenue	USD 3,156 mln	●	down 22.8% y-o-y
Cost of sales	USD 2,125 mln	●	down 35.5% y-o-y
EBITDA	USD 963 mln	●	up 39.0% y-o-y
EBITDA margin	30.5%	●	up 13.6 p.p. y-o-y
Net profit	USD 468 mln	●	up nearly 5 times y-o-y
Net debt	USD 1,656 mln	●	down by USD 382 mln compared to 31.12.2014
Net debt / EBITDA	x0.88	●	down from x1.27 as of 31.12.2014
Free cash flow	USD 369 mln	●	up 43.6% y-o-y
CAPEX	USD 155 mln	●	down 44.8% y-o-y

Source: MMK

HISTORICAL EBITDA DYNAMICS

EBITDA quarterly performance, mln USD



Source: MMK

HIGH CAPACITY UTILISATION

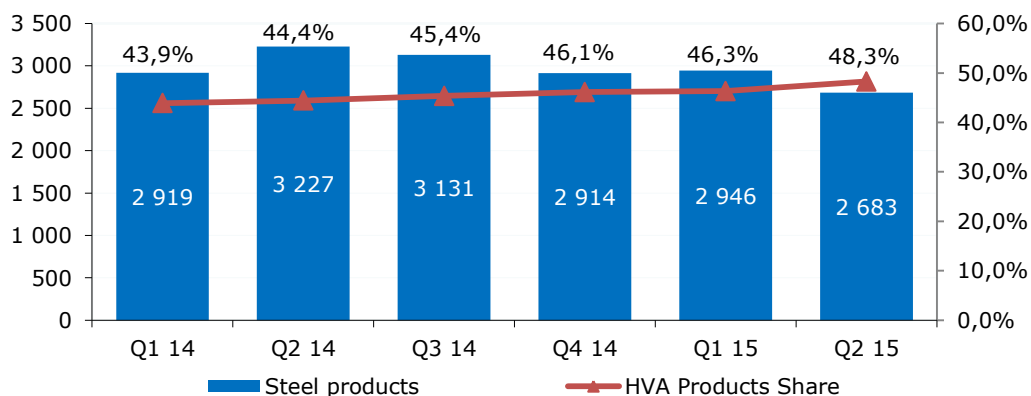
Key production indicators, ths tonnes

	Q2 '15	Q1 '15	%	H1 '15	H1 '14	%
Cast Iron	2,578	2,357	9%	4,935	5,175	-5%
Crude Steel , incl.	2,969	3,228	-8,0%	6,197	6,578	-6%
MMK	2,969	3,228	-8,0%	6,197	6,578	-5,8%
MMK Metalurji	0	0	-	0	0	-
Steel Products, incl.	2,683	2,946	-8,9%	5,628	6,146	-8,4%
MMK	2,677	2,844	-5,9%	5,521	5,878	-6%
MMK-Metiz*	100	104	-4%	203	264	-23%
MMK Metalurji*	210	175	20,0%	384	334	15%
HVA Products	1,295	1,365	-5,1%	2,659	2,715	-2%
Belon Coke Concentrate	701	594	18%	1,295	1,384	-6%

* - incl. made from MMK steel

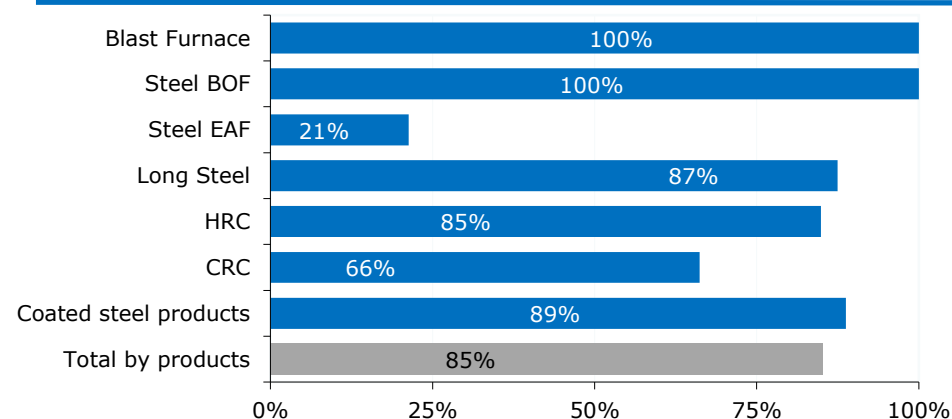
- MMK Group's finished steel products output in Q2 2015 was down 8.9% q-o-q.
- MMK Group High Value Added (HVA) steel products output in Q2 2015 was down 5% q-o-q.
- The share of HVA products in total output volume increased to 48.3% due to a growth in MMK Metalurji's sales and MMK Metiz's sales remaining at the same level.
- The total steel-making capacity utilisation rate at the main production site in Magnitogorsk in Q2 2015 was over 85%. Converter capacity utilisation rate amounted to 100%.
- The decrease in steel production in Q2 2015 by 8% q-o-q was due to lower capacity utilisation rate of electric furnace steelmaking facilities.

MMK Group finished products dynamics, ths tonnes



Source: MMK

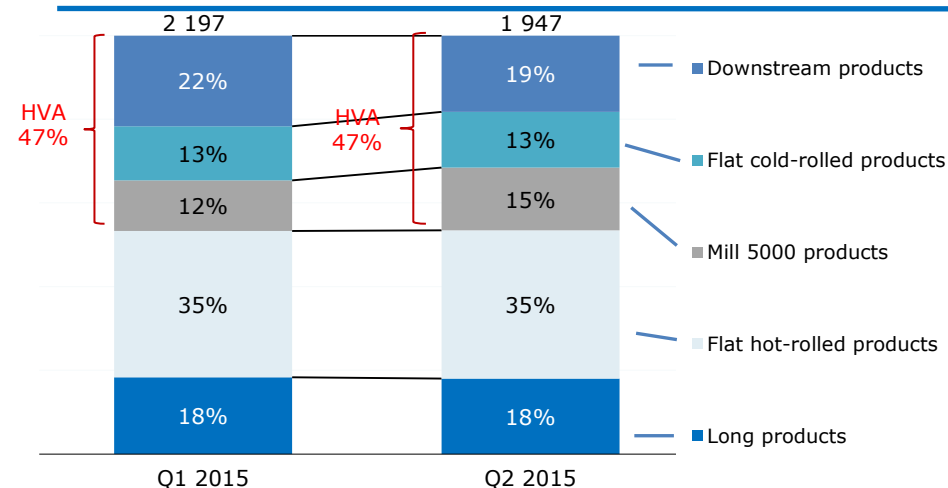
Key capacities utilisation rates in Q2 2015, %



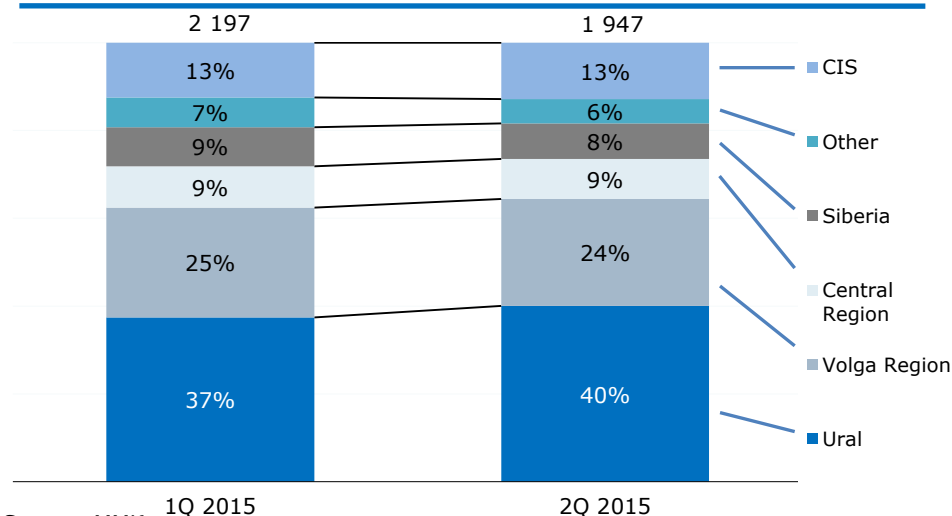
MMK GROUP SALES STRUCTURE ON THE RUSSIAN AND CIS MARKET

- Total sales volume on the Russian and CIS market in Q2 2015 was 1,947 ths tonnes, down 250 ths tonnes q-o-q. This was primarily due to decelerating business activity in the current economic environment and a decrease in the domestic demand for steel following the end of restocking process by traders.
- Thick plate produced at Mill 5000 demonstrated the best sales growth dynamics in Q2 2015. The key growth factor was the increase in orders for thick plate used in production of large diameter pipes.
- The reduced share of HVA products was due to the decrease in demand for coated products, as the seasonal demand was realised earlier this year.

Sales structure on the Russian and CIS market, ths tonnes

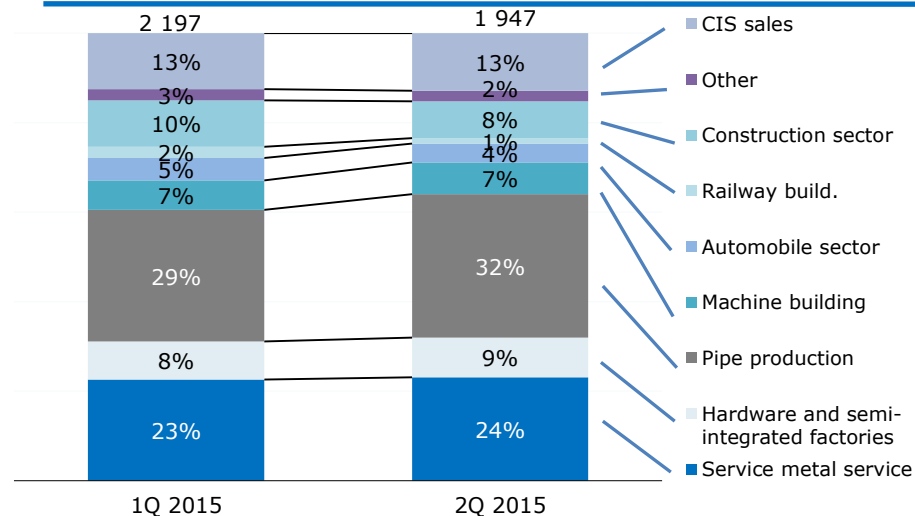


Russia and CIS market sales by region, ths tonnes



Source: MMK

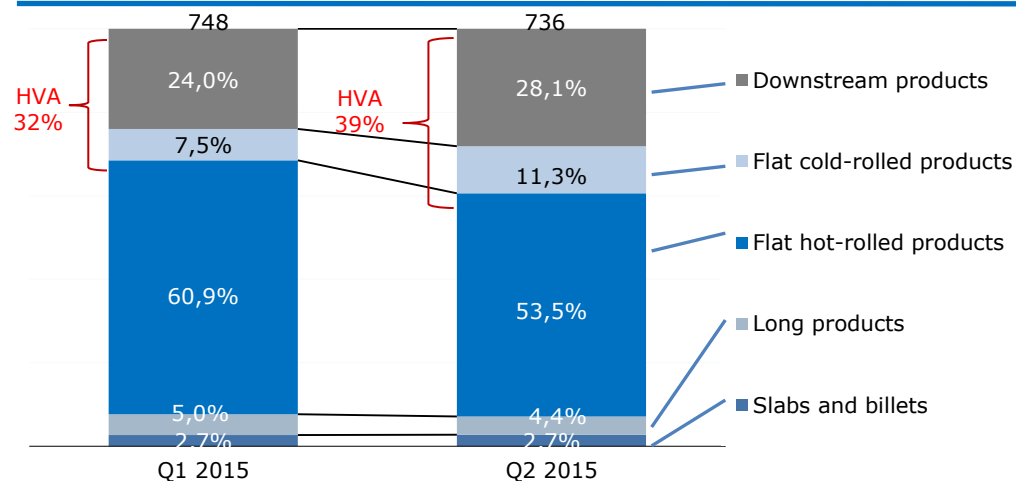
Russia and CIS market sales by sector, ths tonnes



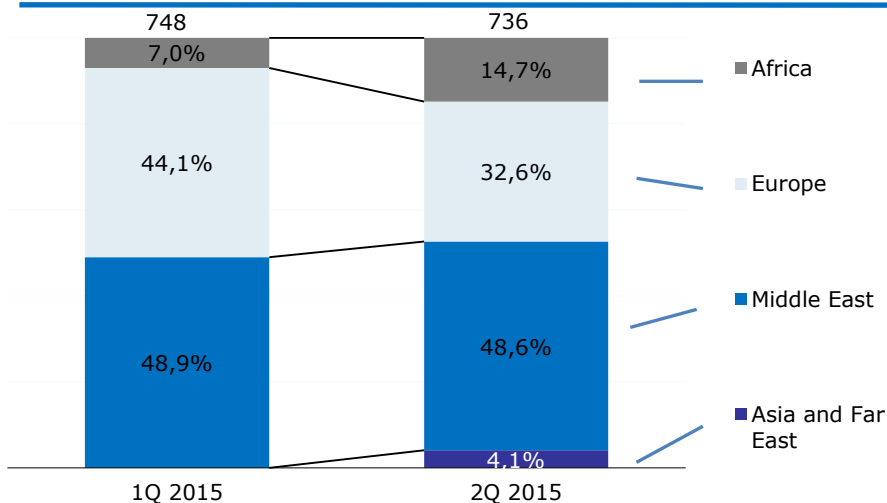
MMK GROUP POSITION ON KEY INTERNATIONAL MARKETS

- Sales on international markets in Q2 2015 amounted to 736 ths tonnes. Hot-rolled products accounted for 53.5% of exports, while the share of HVA products increased to 39%.
- The proportion of sales to Europe decreased as a self-limiting measure following high sales in Q1 2015.
- In Q2 2015, the Company maintained its proportion of sales to the Middle East at the level of the previous quarter and increased the proportion of sales to Africa. This made it possible to compensate for decrease in sales to Europe.

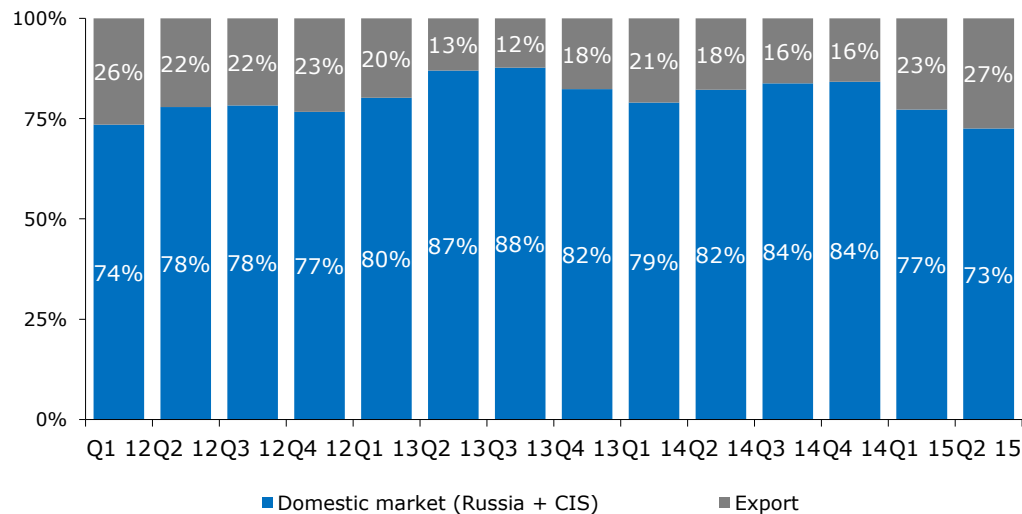
Sales structure on the international markets, ths tonnes



International sales structure by region, ths tonnes



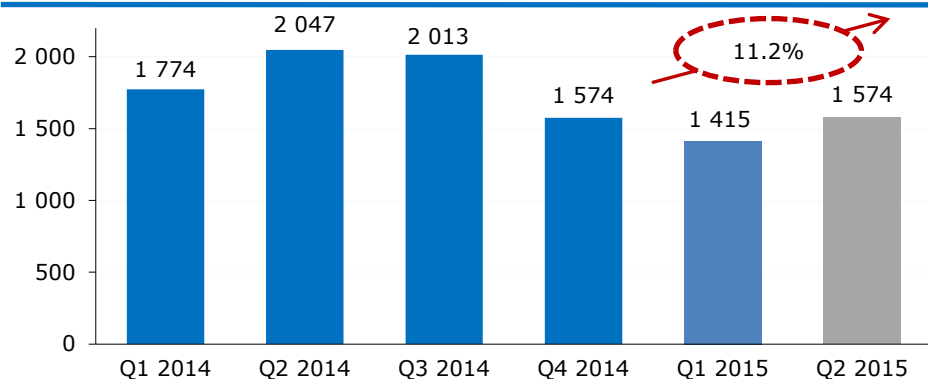
Sales share by market, ths tonnes



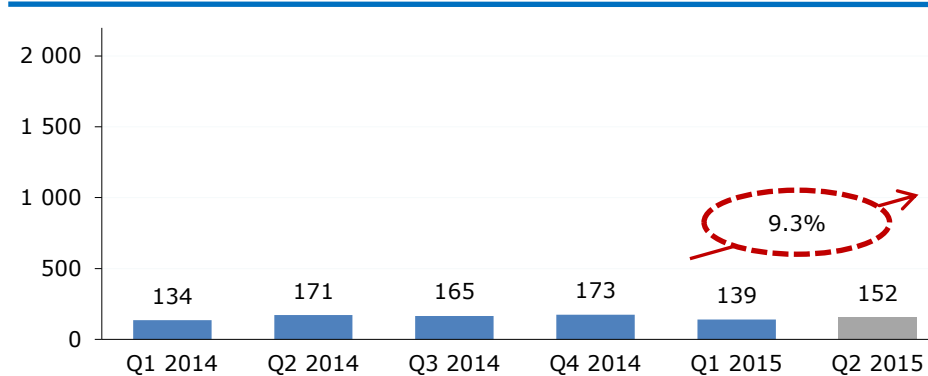
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- Revenue for Q2 2015 amounted to USD 1,645 mln, up 8.9% q-o-q. The key factors were the rouble's strengthening versus US dollar during the quarter, as well as growth in the average sales price (up 12.9%) due to continued premium on the domestic market.

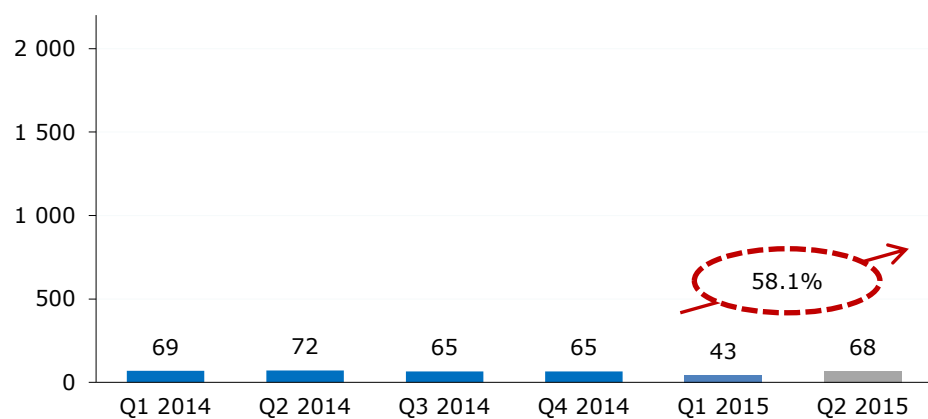
Steel segment revenue (Russia), mln USD



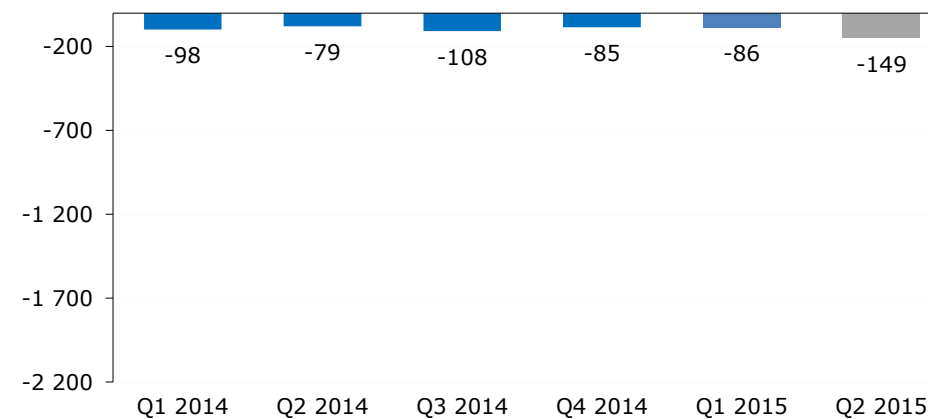
Steel segment revenue (Turkey), mln USD



Coal segment revenue, mln USD



Consolidation, mln USD

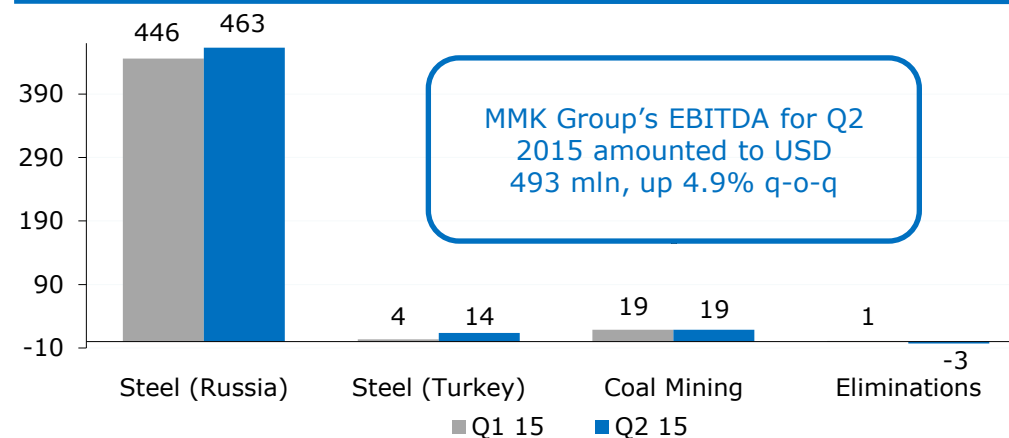


Source: MMK

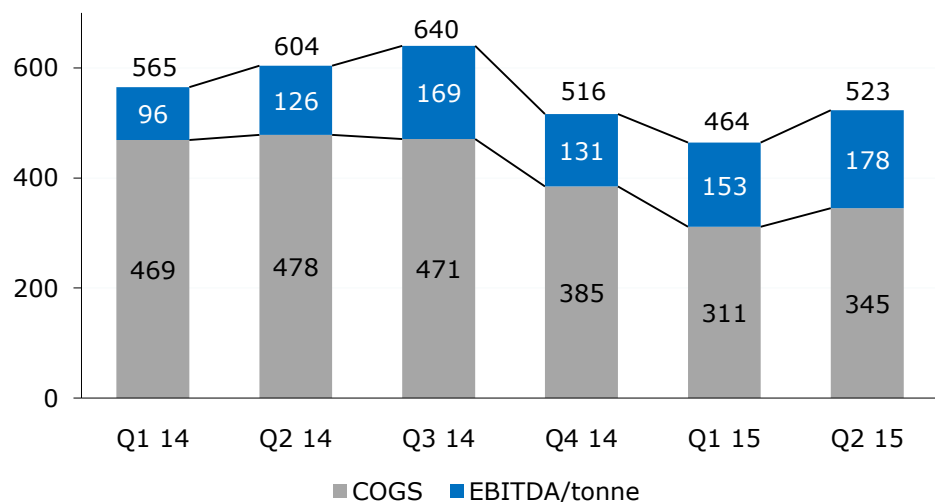
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- Continued price premiums on the domestic market in Q2 2015 supported the growth in average sales prices as well as the EBITDA/tonne indicator.
- EBITDA for the steel segment (Turkey) in Q2 2015 amounted to USD 14 mln, up 3.5 times q-o-q. Key growth factors included stabilisation on the domestic market following a significant decline in prices early in the year and the reimbursement of previously overstated payments for electricity grid use (USD 2 mln).

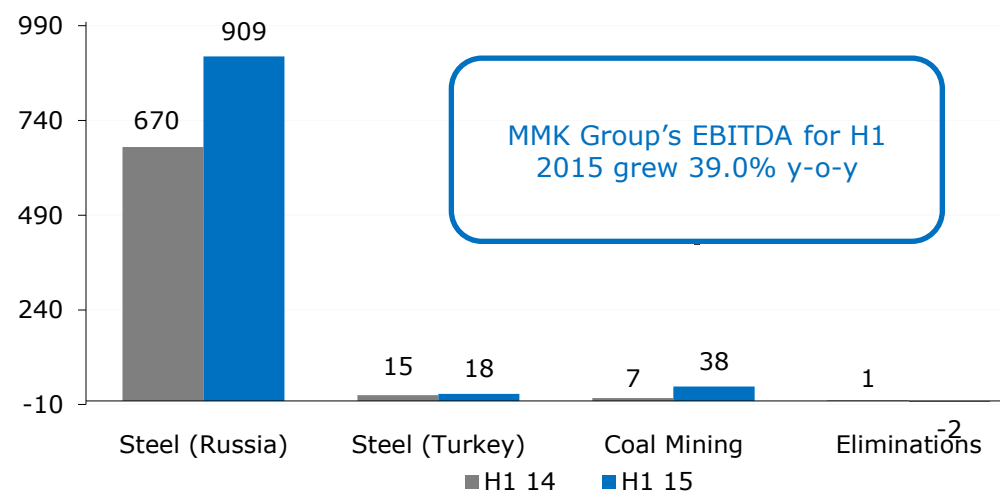
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



Annual EBITDA dynamics, mln USD

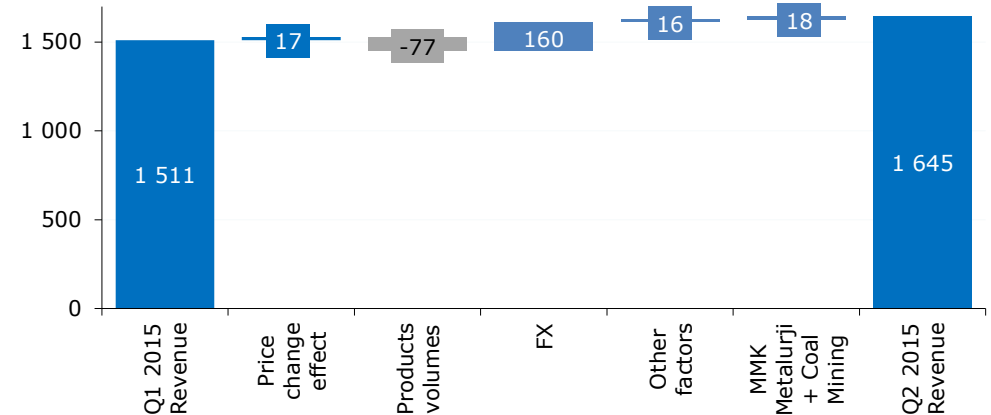


Source: MMK

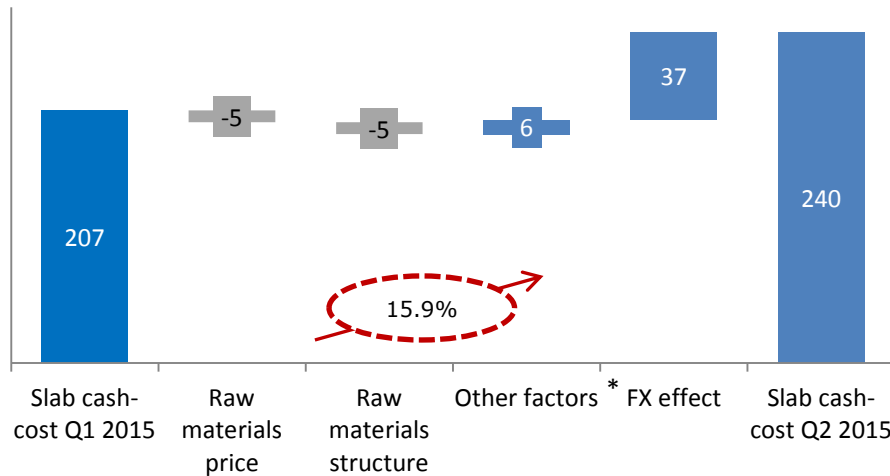
ANALYSIS OF KEY FINANCIAL HIGHLIGHTS

- The key factors impacting revenue in Q2 2015 were changes in sales volumes and the rouble rate fluctuation vs the US dollar.
- In Q2 2015, the Company demonstrated significant growth in net profit to USD 272 mln. This is the new record since Q4 2009.
- The cash-cost of slab increased by 15.9% in Q2 2015 due to the rouble strengthening. Excluding this factor, cash cost of a tonne of slab would be USD 203, down 1.9% q-o-q.

MMK Group's revenue, Q2 2015 vs Q1 2015, mln USD



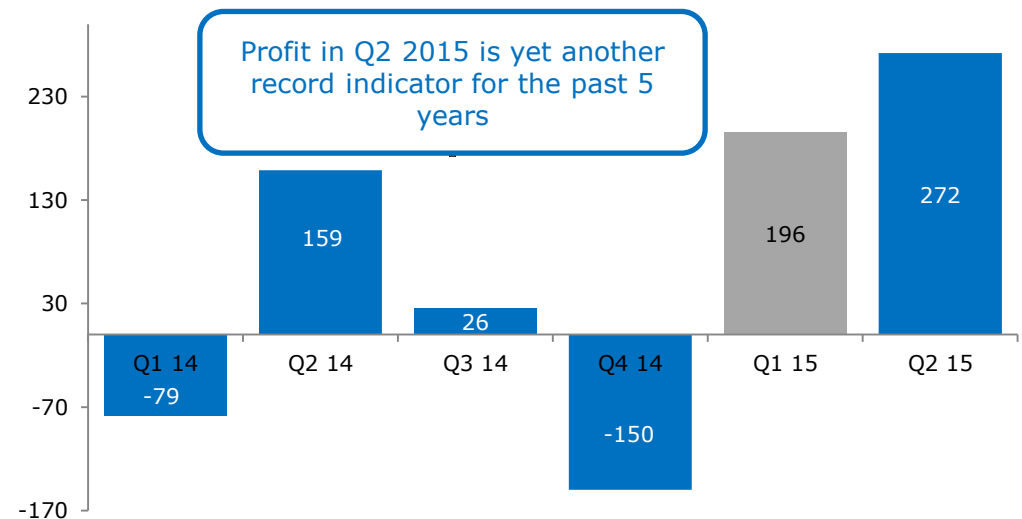
Cash-cost of slab dynamics, USD/t



* - mostly relates to seasonal growth of scheduled maintenance works

Source: MMK

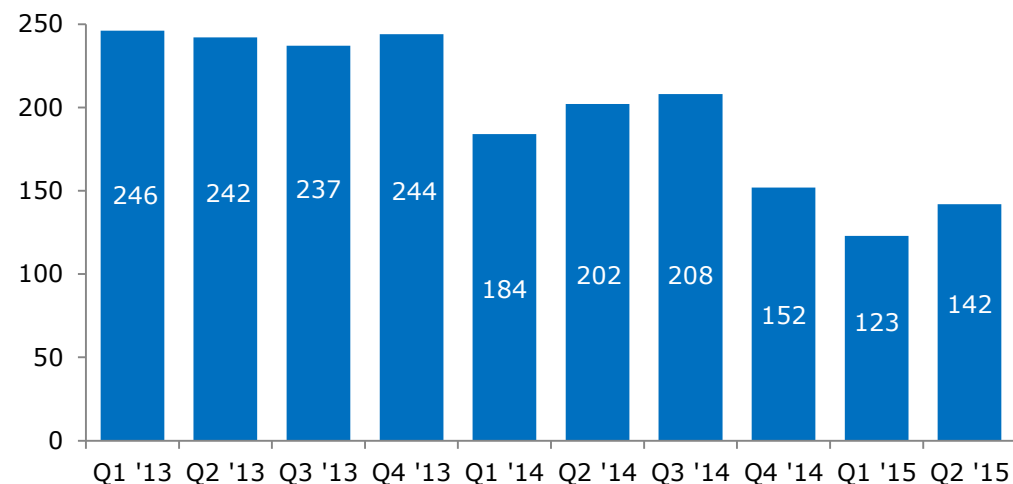
Net profit dynamics, mln USD



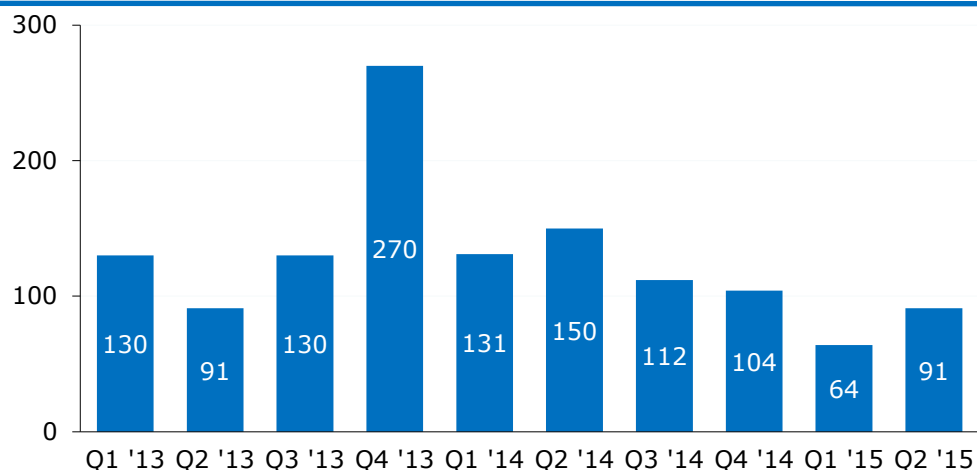
DEPRECIATION AND CAPEX DYNAMICS

- MMK Group's CAPEX in Q2 2015 amounted to USD 91 mln (up 42.2% q-o-q). However in H1 2015 CAPEX decreased by 44.8% y-o-y to USD 155 mln.
- The Company confirms its plans to invest approx. USD 400 mln into fixed asset purchases in 2015.

Quarterly depreciation dynamics, mln USD

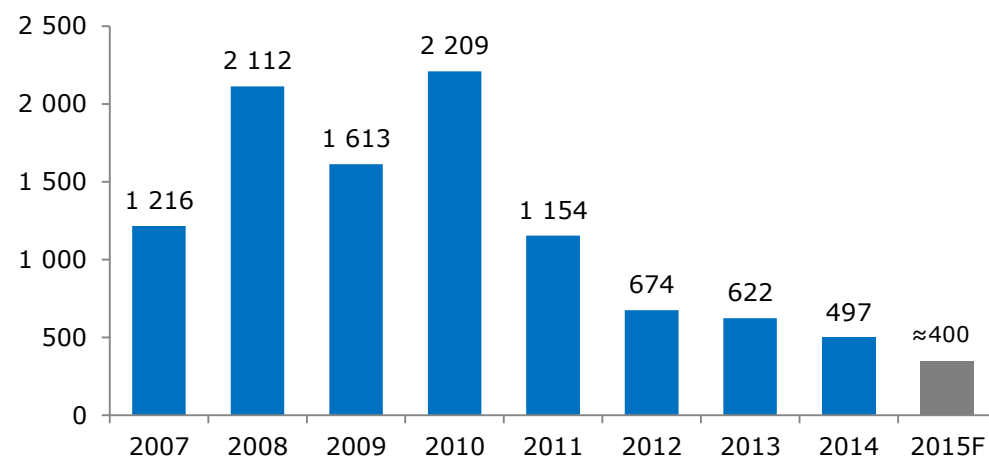


Quarterly CAPEX dynamics, mln USD



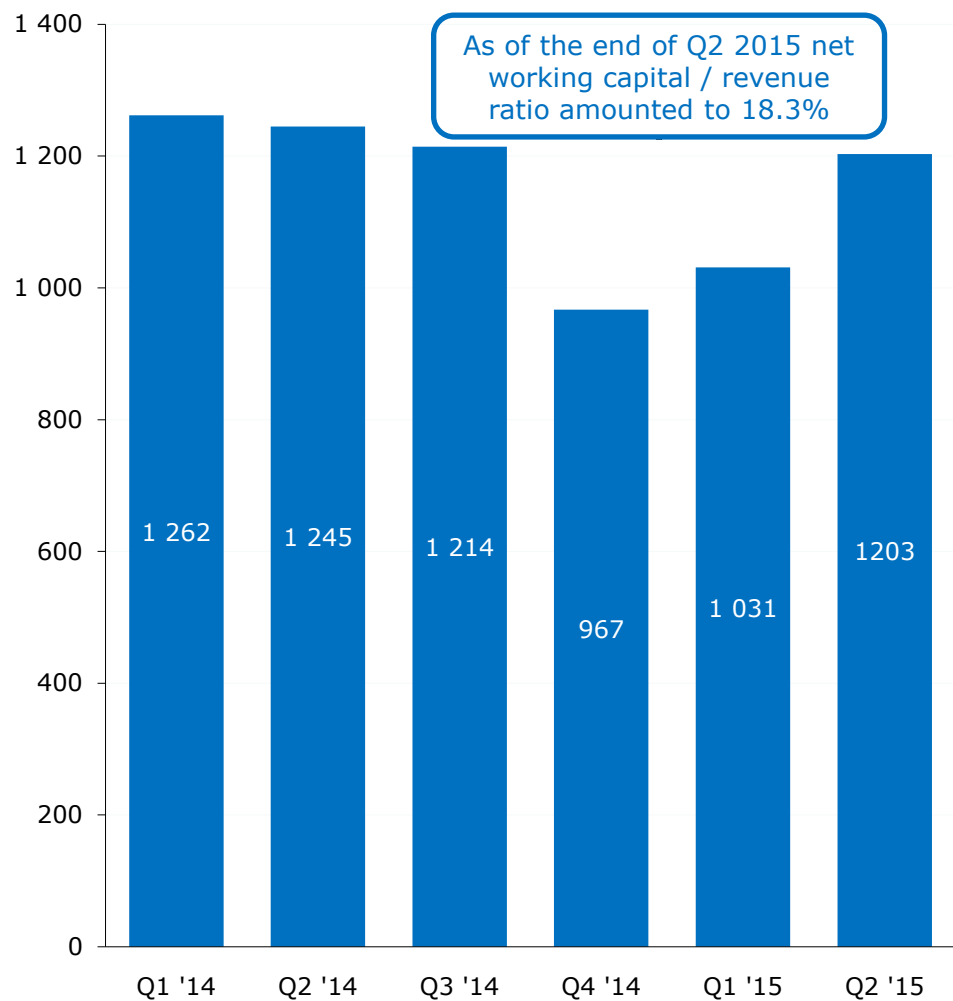
Source: MMK

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

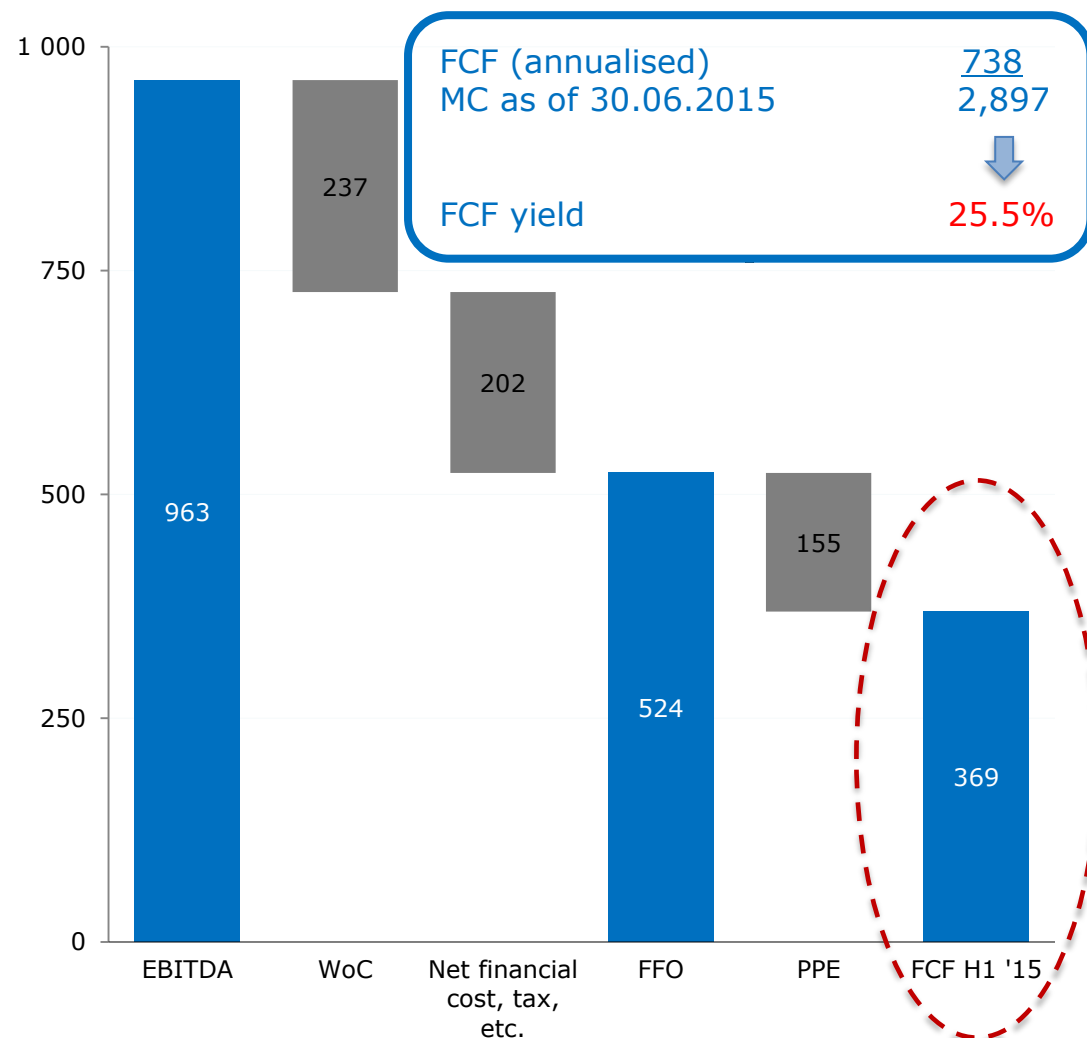


MMK BENEFITS FROM ONE OF THE HIGHEST FREE CASH FLOW YIELDS IN THE SECTOR, mln USD

Net working capital dynamics, mln USD



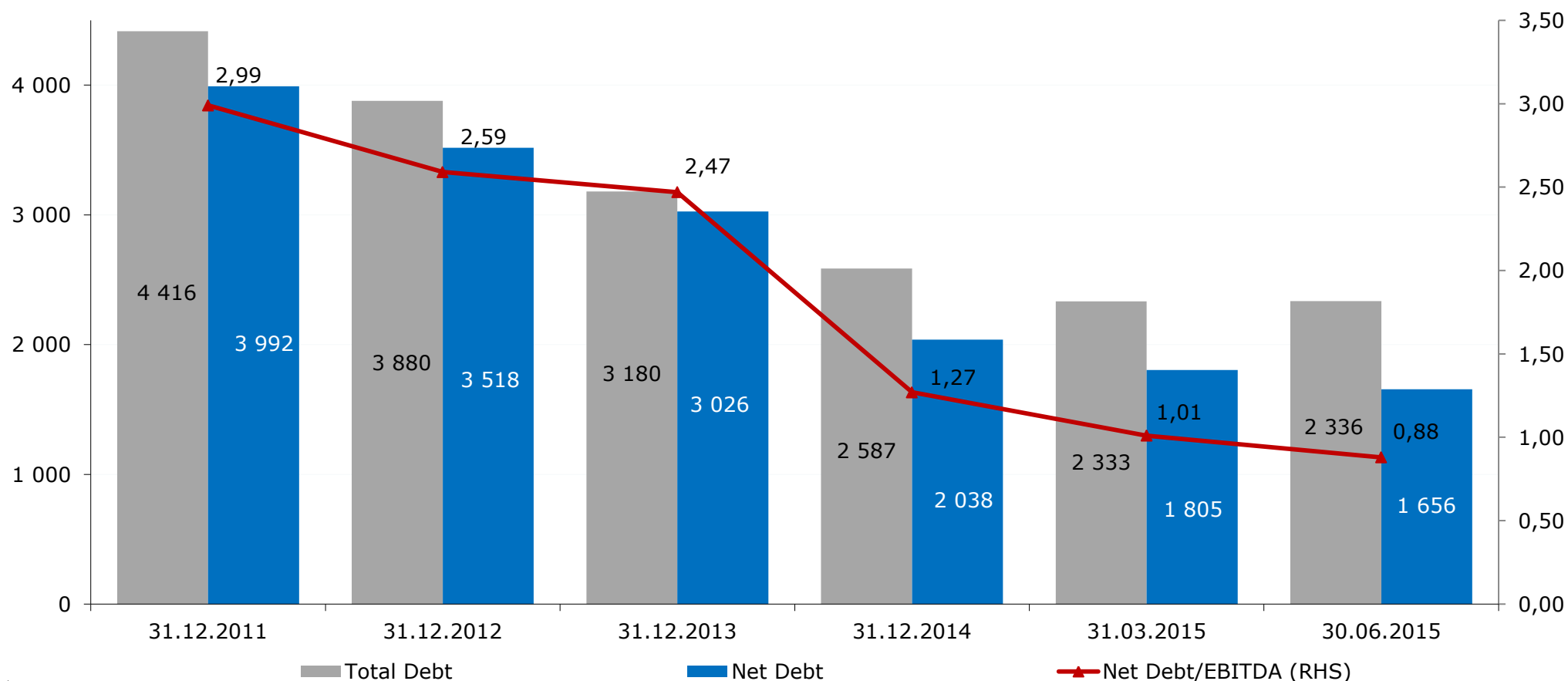
High level of FCF generation, mln USD



Source: MMK

HIGH OPERATIONAL PERFORMANCE SUPPORTS EFFICIENT DECREASE OF THE DEBT LOAD, mIn USD

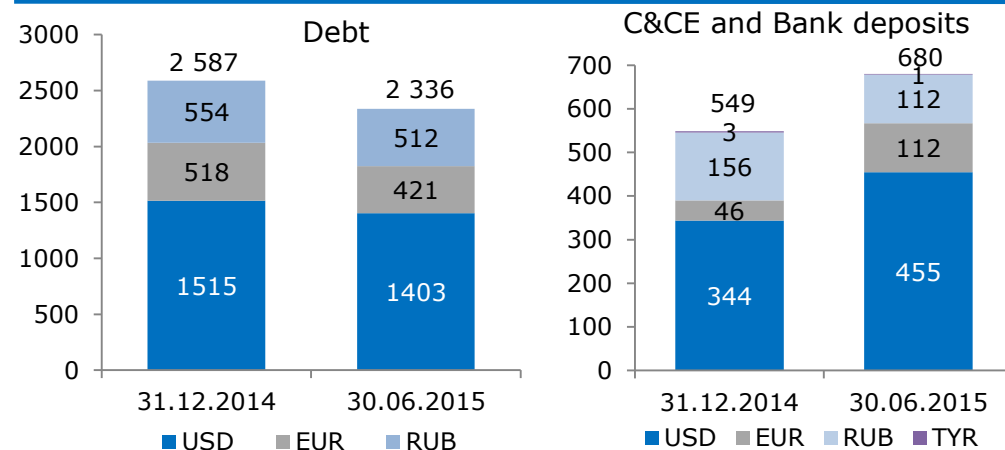
- MMK Group's net debt as of the end of Q2 2015 continued to decrease and amounted to USD 1,656 mln, down by USD 382 mln compared to 31.12.2014.
- At the end of H1 2015, net debt / EBITDA decreased to x0.88, which the Company's management sees as a comfortable level, but somewhat higher than debt load level of key peers.
- By the end of 2015, the Company plans to further decrease debt load by using the Company's cash funds and cash flow from operations.



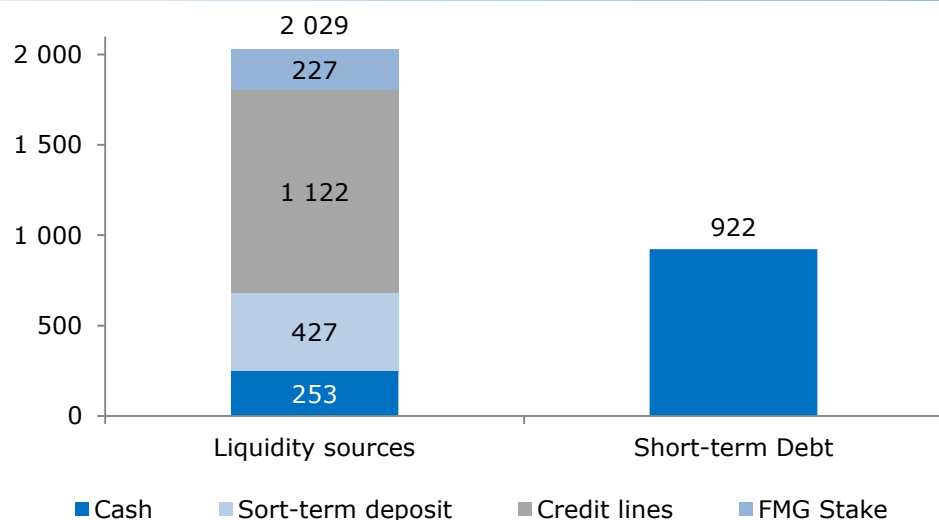
MMK GROUP'S DEBT PROFILE

- A continued reduction in debt load remains the priority task for the Company's management.
- The share of debt which is denominated in foreign currencies (USD+EUR) amounted to approx. 78% as of 30.06.2015.
- The volume of liquid funds in the MMK Group's balance sheet significantly exceeds the short-term debt, while amount of the cash funds (USD 680 mln) fully covers the portion of debt due by the end of 2015.
- The debt maturity schedule does not presume any significant onetime payments.

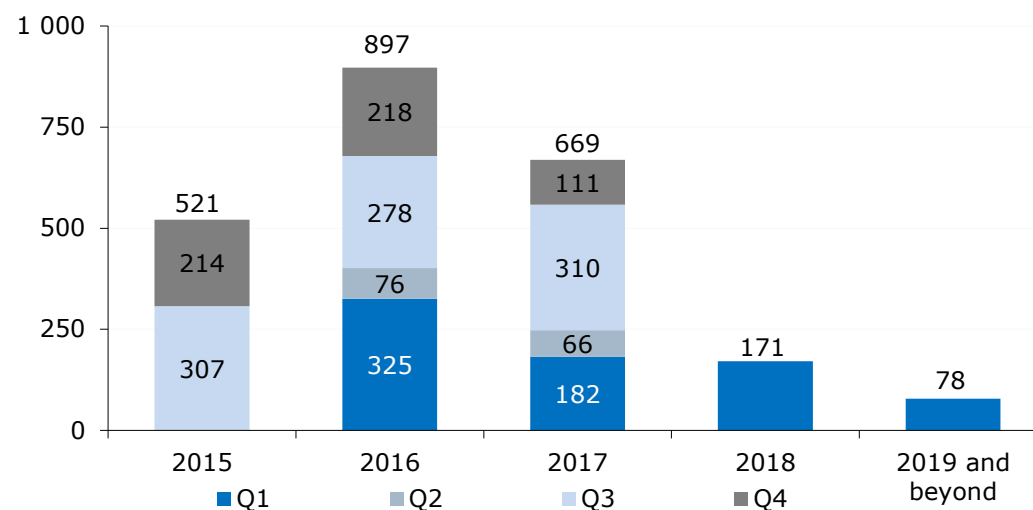
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD

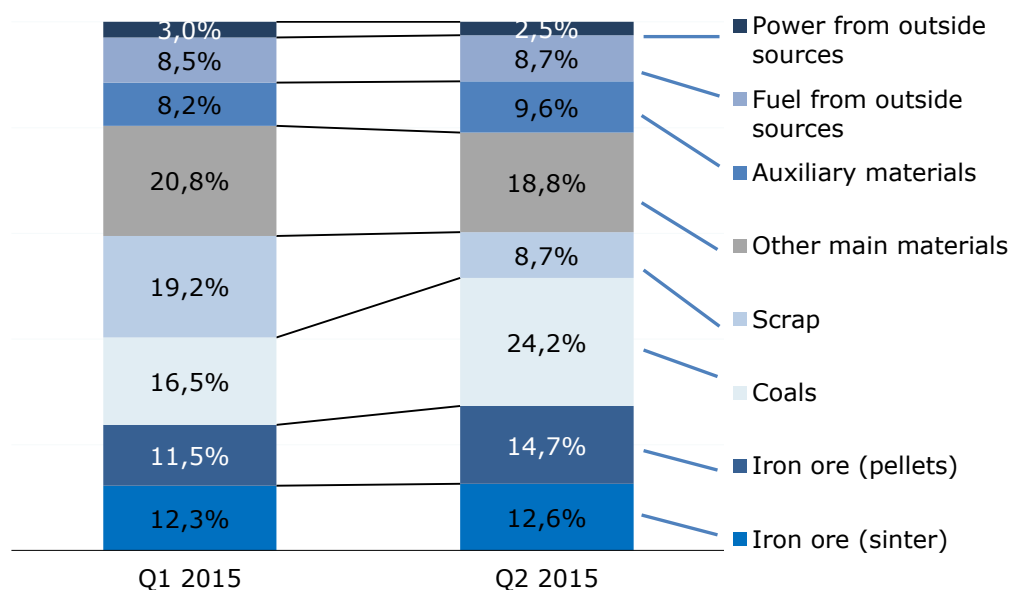


Source: MMK

STRUCTURE OF OPERATING COSTS AND CASH COSTS

- In Q2 2015, the share of metal scrap (due to completion of repairs at oxygen steel-making converter and lower capacity utilisation of EAFs) decreased in the structure of OJSC MMK's material costs. The share of coal significantly increased due to the completion of capital repairs at blast-furnace No.8 in late Q1 2015 and rising coal prices in Q1 2015.
- The 11.1% increase in operating costs in Q2 2015 q-o-q was due to the rouble strengthening (approx. 15% q-o-q) and growth in selling expenses.
- In Q2 2015, selling expenses significantly increased due to changes in accounting of transportation costs, reimbursed to counterparties. As a result, these costs will be recognised on gross basis in revenue and selling expenses. The effect for each of these lines amounted to USD 17 mln in Q2 2015.

OJSC MMK material costs, USD/t



Source: MMK

MMK Group operating costs, mln USD

	Q2 '15	Q1 '15	+/-	%
Cost of sales	1,107	1,018	89	8.7%
Selling expenses	131	99	32	32.3%
General and administrative expenses	56	61	-5	-8.2%
Other operating expenses	3	-11	14	-
Total operating expenses	1,297	1,167	130	11.1%

COMMENT ON MARKET SITUATION

- In early Q3 2015, the Company is seeing rising demand for its products (due to delayed seasonal growth in demand for construction products), which indicates a potential increase in Q3 sales.
- The Company's financial results in Q3 2015 will come under pressure from the rouble devaluation versus the USD dollar.

Source: MMK

DISCLAIMER

- THIS PRESENTATION IS FOR INFORMATION ONLY.
- THIS PRESENTATION IS FOR DISTRIBUTION IN UK ONLY AMONG THE PEOPLE HAVING PROFESSIONAL SKILL IN THE ISSUES RELATED TO INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, OR THOSE PEOPLE, AMONG WHICH IT MAY BE LAWFULLY DISTRIBUTED. THIS INFORMATION IS CONFIDENTIAL AND PROVIDED TO YOU EXCLUSIVELY FOR YOUR REFERENCE. BY ACCEPTANCE OF THIS INFORMATION THE RECIPIENT HEREOF CONFIRMS THAT HE OR SHE IS A SPECIALIST IN THE SPHERE OF INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, ACTING IN HIS OR HER NATURE.
- THIS PRESENTATION DOES NOT CONSTITUTE AN OFFER OR A PART THEREOF, OR INVITATION TO SELL OR TO ISSUE, OR TO SUBSCRIBE FOR OR OTHERWISE PURCHASE ANY SHARES IN THE COMPANY OR ANY OTHER SECURITIES AND NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.
- THE INFORMATION CONTAINED HEREIN IS SUBJECT TO VERIFICATION, COMPLETION AND MAY BE SIGNIFICANTLY CHANGED. NONE OF THE PERSONS IS LIABLE TO UPDATE OR MAINTAIN TOPICALITY OF THE INFORMATION CONTAINED HEREIN, AND THIS INFORMATION AND OPINIONS REFLECTED THEREIN COULD BE CHANGED WITHOUT ANY NOTIFICATION THEREABOUT.
- THIS INFORMATION DOES NOT CONSTITUTE AN OFFER OF THE SECURITIES TO BE SOLD IN RUSSIA, THE UNITED STATES OR ANY OTHER JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD INTO THE UNITED STATES EXCEPT IN A TRANSACTION REGISTERED UNDER SUCH ACT, OR NOT REQUIRED TO BE REGISTERED THERE UNDER, OR PURSUANT TO AND EXEMPTION FROM REGISTRATION REQUIREMENTS THEREOF. NO OFFERING OF SECURITIES IS BEING MADE INTO THE UNITED STATES. NO SECURITIES WILL BE REGISTERED UNDER THE APPLICABLE SECURITIES ACT OF ANY STATE OR TERRITORIAL ENTITY OF CANADA AND JAPAN. THIS PRESENTATION IS NOT SUBJECT TO MAILING, TRANSFERRING OR OTHER TYPE OF DISTRIBUTION IN THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, OR TO THE TERRITORY OR FROM THE TERRITORY OF THE SPECIFIED COUNTRIES TO THE NAME OF ANY ANALYST IN THE SPHERE OF SECURITIES OR OTHER PERSON IN ANY OF THE SPECIFIED JURISDICTIONS. YOU AGREE TO AVOID FROM DISTRIBUTION OF ANY REPORT RESULTING FROM THE SURVEY OR SIMILAR DOCUMENTS ON THE TERRITORY OF THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, SAVE AS IN ACCORDANCE WITH THE FEDERAL LAWS OF THE UNITED STATES ON SECURITIES INCLUDING SECURITIES ACT, AS WELL AS THE APPLICABLE LAWS OF CANADA, AUSTRALIA AND JAPAN, ACCORDINGLY.
- THIS PRESENTATION INCLUDES THE STATEMENTS RELATED TO THE FUTURE, WHICH REPRODUCE THE INTENTIONS, OPINIONS AND CURRENT EXPECTATIONS OF THE COMPANY. THE STATEMENTS FOR THE FUTURE INCLUDE ANYTHING, WHICH IS NOT A FACT OCCURED. THE COMPANY TRIED TO HIGHLIGHT SUCH STATEMENTS RELATED TO THE FUTURE BY MEANS OF THE WORDS, SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "INTEND", "EVALUATE", "ASSUME", "PLAN", "TO HAVE AN OPINION", "TRY", "FORECAST", "CONTINUE" AND SIMILAR WORDS OR THEIR NEGATIVE FORMS. SUCH STATEMENTS HAD BEEN DONE BASING ON THE ASSUMPTIONS AND ASSESSMENTS, WHICH MAY OCCUR FAULTY, THOUGH THE COMPANY CONSIDERS THEM REASONABLE AT THE CURRENT MOMENT.
- SUCH STATEMENTS RELATED TO THE FUTURE ARE LINKED TO THE RISKS, UNCERTAINTIES AND ASSUMPTIONS, AS WELL AS TO OTHER FACTORS, WHICH MAY LEAD TO THE EVENT THAT ACTUAL RESULTS OF THE COMPANY'S ACTIVITY AND ACTIVITY OF THE MARKETS, ON WHICH IT OPERATES OR INTENDS TO OPERATE IN, THEIR FINANCIAL STATUS, LIQUIDITY, CHARACTERISTICS, PROSPECTS AND ABILITIES COULD MATERIALLY DIFFER FROM THOSE, WHICH ARE EXPRESSED WITH THE HELP OF SUCH STATEMENTS RELATED TO THE FUTURE. THE IMPORTANT FACTORS, WHICH MAY RESULT IN SUCH DIFFERENCES, INCLUDE, INTER ALIA, CHANGING BUSINESS CONDITIONS AND OTHER MARKET CONDITIONS, COMMON ECONOMIC CONDITIONS IN RUSSIA, EU COUNTRIES, THE UNITED STATES OF AMERICA OR ANYWHERE ELSE, AS WELL AS THE ABILITY OF THE COMPANY TO MEET THE TRENDS IN THE INDUSTRY. THE MATERIAL DIFFERENCE OF THE ACTUAL RESULTS, FEATURES AND ACHIEVEMENTS MAY BE THE RESULT OF ADDITIONAL FACTORS. THE COMPANY AND ALL ITS DIRECTORS, OFFICERS, EMPLOYEES AND ADVISORS HEREWITH STATE THAT THEY ARE NOT OBLIGED TO ISSUE ANY UPDATE OF OR REVISE ANY STATEMENTS RELATED TO THE FUTURE CONTAINED HEREIN, OR DISCLOSE ANY CHANGES IN THE FORECASTS OF THE COMPANY OR EVENTS, CONDITIONS AND CIRCUMSTANCES, WHICH SUCH STATEMENTS RELATED TO THE FUTURE ARE BASED ON, SAVE AS IN THE CASES PROVIDED FOR BY THE APPLICABLE LAWS.
- RECEIPT OF ANY COPY OF THIS INFORMATION TESTIFIES THE ACCEPTANCE OF THE ABOVE LIMITATIONS.