MAGNITOGORSK
IRON & STEEL
WORKS

IFRS financial statements for Q1 2015

KEY HIGHLIGHTS FOR MMK GROUP

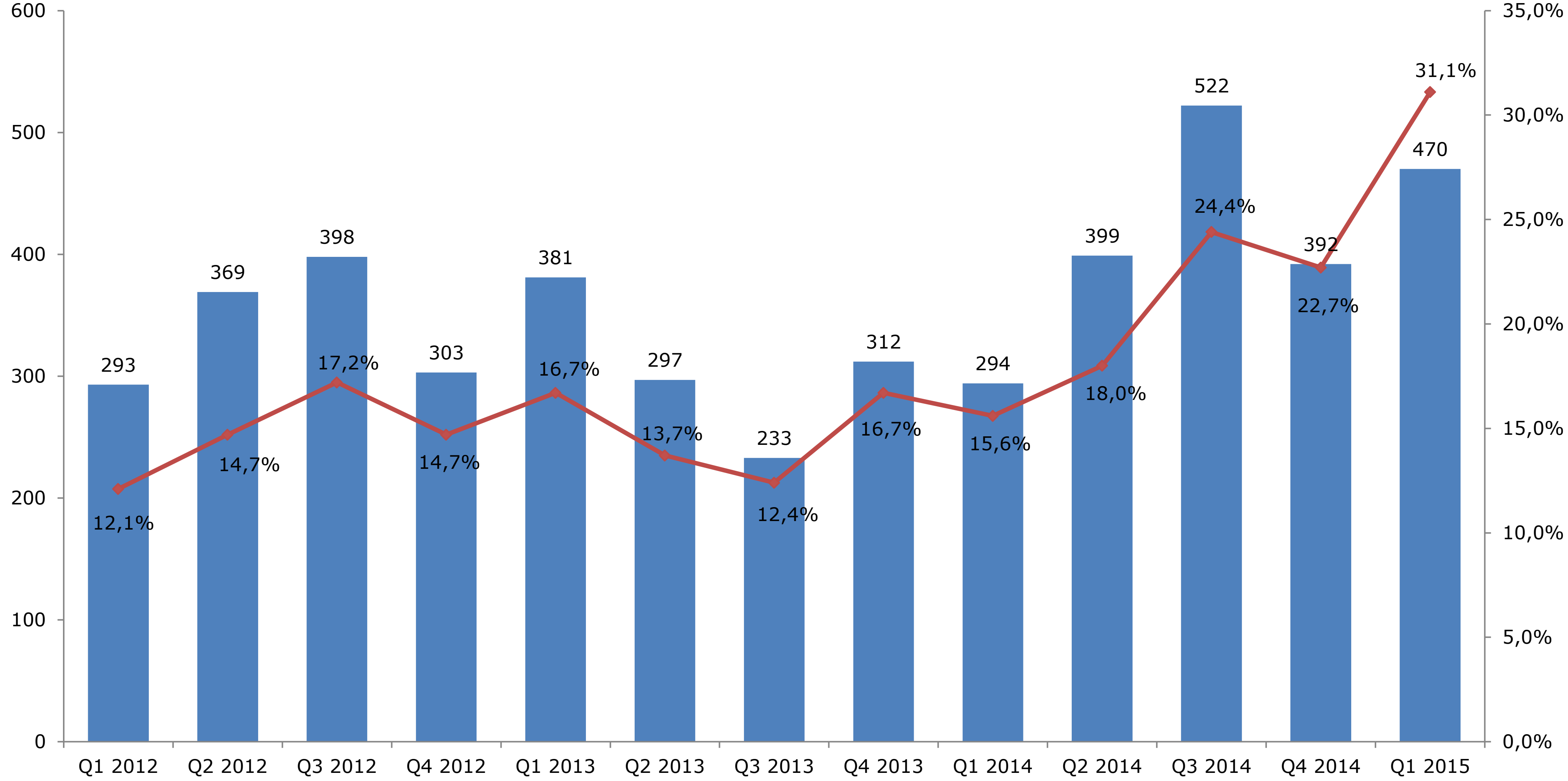
Q1 2015 Financial results

Revenue	USD 1,511 mln	🔴	down 12.5% q-o-q down 19.6% y-o-y
Cost of sales	USD 1,018 mln	🟢	down 22.0% q-o-q down 33.4% y-o-y
EBITDA	USD 470 mln	🟢	up 19.9% q-o-q up 59.9% y-o-y
EBITDA margin	31.1%	🟢	up 8.4 p.p. q-o-q up 15.5 p.p. y-o-y
Net profit	USD 196 mln	🟢	maximum amount since Q4 2009
Net debt	USD 1,805 mln	🟢	down USD 233 mln compared to the end of 2014
Net debt / EBITDA	x1	🟢	down from x1.27 as of 31.12.2014 г.
Cash-cost of slab	USD 207 per tonne	🟢	down 14.8% or USD 36 q-o-q
Free cash flow	USD 190 mln	🟢	down 35.4% q-o-q up 5.76 times y-o-y
FCF yield (annualized)	26.6%	🔴	down from 36.8% in 2014
CAPEX	USD 64 mln	🟢	down 38.5% q-o-q down 51.1% y-o-y
HVA products share	46.3%	🟢	up 0.2 p.p. q-o-q up 2.4 p.p. y-o-y

Source: MMK

HISTORICAL EBITDA DYNAMICS

EBITDA quarterly performance, mln USD



Source: MMK

HIGH CAPACITY UTILISATION

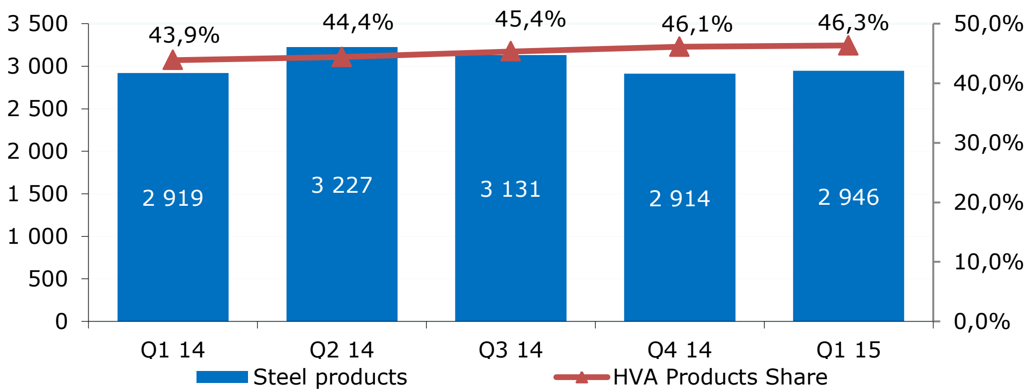
Key production indicators, ths tonnes

	Q1 '15	Q4 '14	%	Q1 '15	Q1 '14	%
Cast iron	2 357	2 476	*-5%*	2 357	2 604	*-9%*
Crude steel incl.	3 228	3 072	*5,1%*	3 228	3 188	*1%*
MMK	3 228	3 072	*5,1%*	3 228	3 188	*1,3%*
MMK Metalurji	0	0	-	0	0	-
Finished products	2 946	2 914	*1%*	2 946	2 919	*1%*
MMK	2 844	2 776	*2,4%*	2 844	2 822	*0,8%*
MMK-Metiz*	104	101	*3%*	104	119	*-13%*
MMK Metalurji*	175	172	*1,7%*	175	149	*17%*
HVA products	1 365	1 344	*1,6%*	1 365	1 281	*7%*
Belon coking coal concentrate	594	886	*-33%*	594	712	*-17%*

* - incl. made from MMK steel

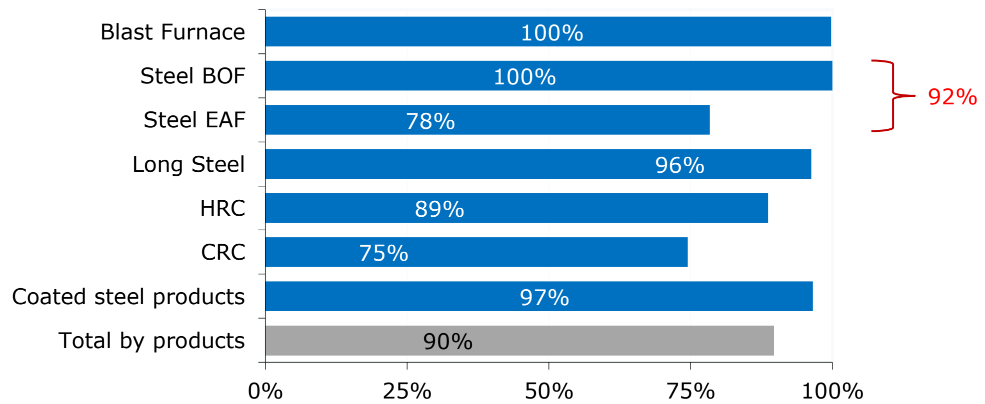
- MMK Group finished steel products output in Q1 2015 was up 1.1% q-o-q.
- MMK Group High Value Added (HVA) steel products output in Q1 2015 was up 1.6% q-o-q.
- The share of HVA products in total output volume increased to 46.3% due to growth in thick plate sales from mill 5000.
- Total steel-making capacity utilisation rate at the main production site in Magnitogorsk in Q1 2015 was over 92%. Converter (BOF) capacity utilisation rate amounted to 100%.
- Growth in steel production in Q 2015 by 5.1% q-o-q was due to improved demand for the Company's products in the beginning of the year and was covered with increased capacity utilisation rate of arc-furnace facilities (due to scheduled maintenance of BOF).

MMK Group finished products dynamics, ths tonnes



Source: MMK

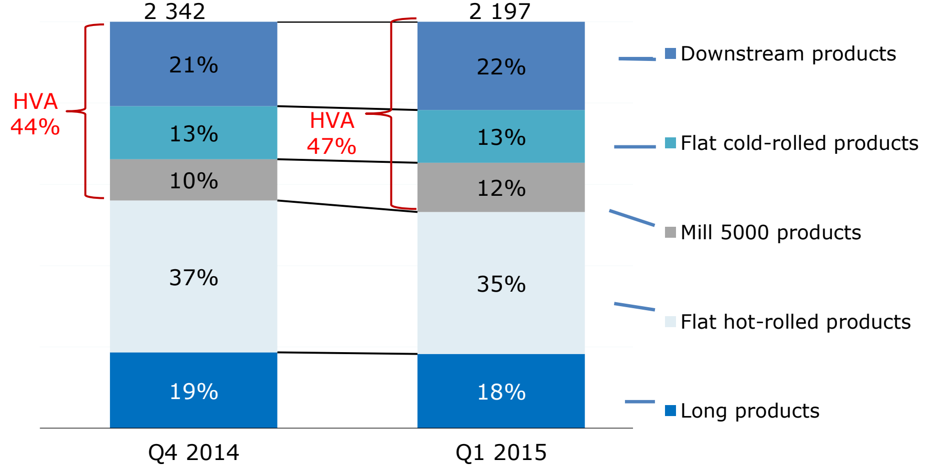
Key capacities utilisation rates in Q1 2015, %



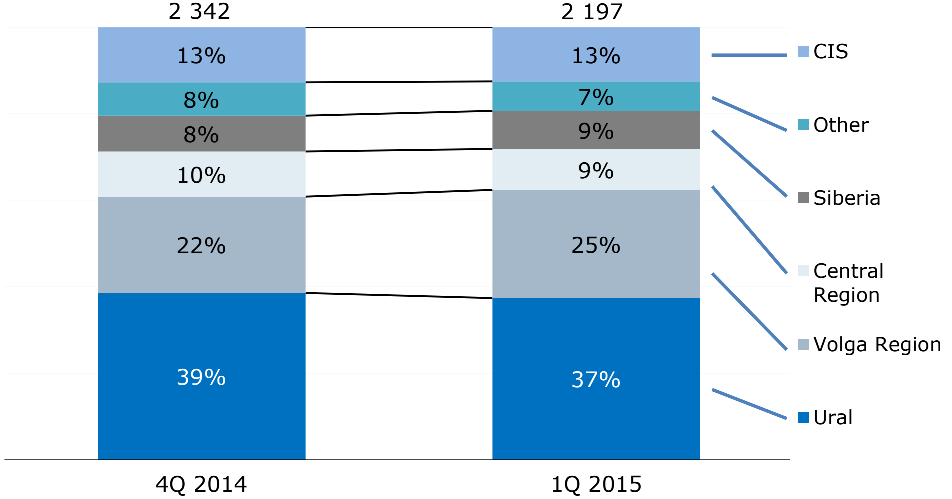
MMK GROUP SALES STRUCTURE ON THE RUSSIAN AND CIS MARKET

- Total sales volume on the Russian and CIS market in Q1 2015 was 2,197 ths tonnes, 145 th tonnes less than in previous quarter. The main reason for this decline was growth of export sales to compensate domestic prices lagging behind export prices after rouble devaluation in December 2014.
- Thick plate produced at Mill 5000 demonstrated the best sales growth dynamics in Q1 2015. The key growth factor was increase in orders for thick plate used in production of large diameter pipes.
- In Q1 2015 there was a seasonal decline in steel consumption from pipe industry and from metal service centers.

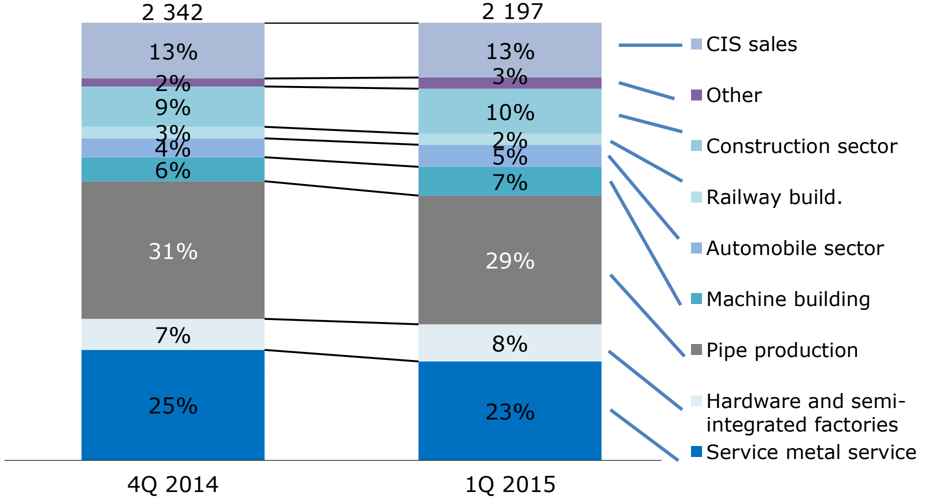
Sales structure on the Russian and CIS market, ths tonnes



Russia and CIS market sales by region, ths tonnes



Russia and CIS market sales by sector, ths tonnes

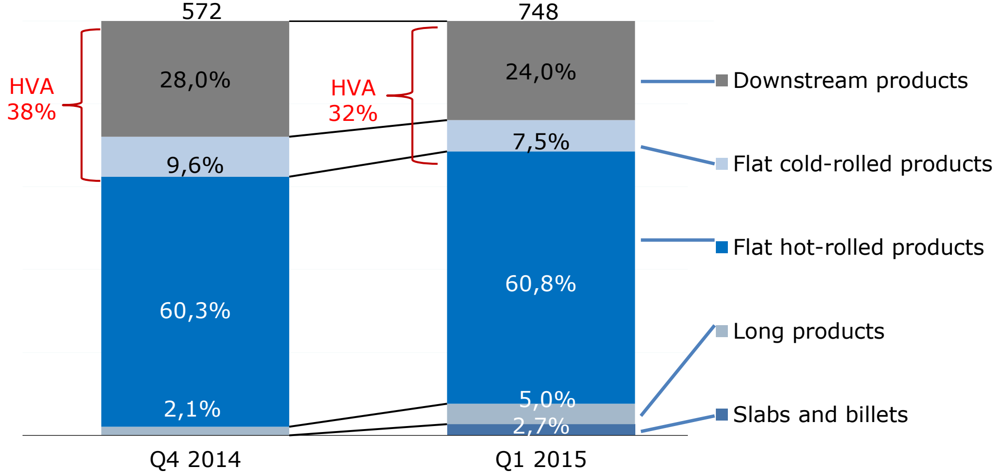


Source: MMK

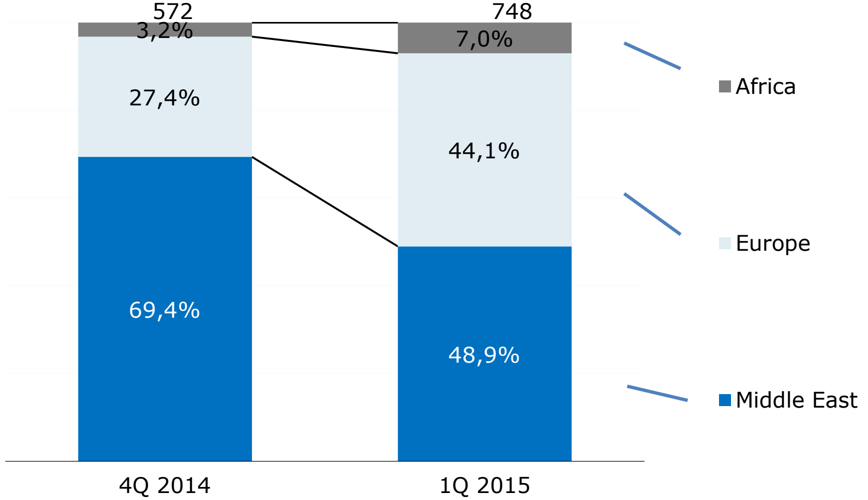
MMK GROUP POSITION ON KEY INTERNATIONAL MARKETS

- Sales on international markets in Q1 2015 increased to 748 ths tonnes. Hot-rolled products continued to account for more than 60% of exports, while share of HVA products decreased to 24%.
- The proportion of sales to Middle East market decreased to 49% (due to the challenging situation in the region and supply of cheap steel from China), while the that to Europe significantly increased to 44%.

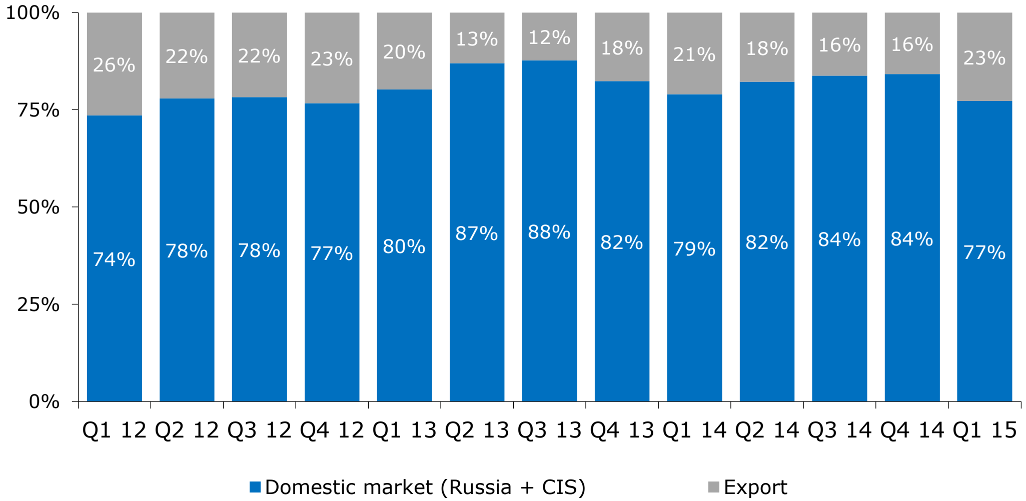
Sales structure on the international markets, ths tonnes



International sales structure by region, ths tonnes



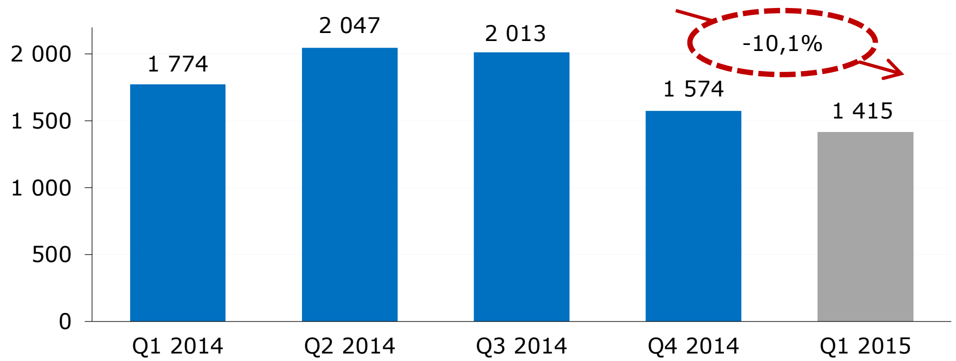
Sales share by market, ths tonnes



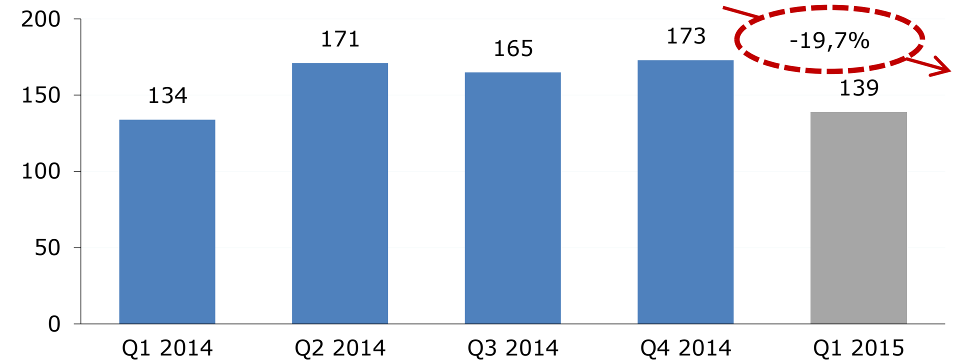
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- Revenue for Q1 2015 amounted to USD 1,511 mln, down 12.5% q-o-q and down 19.6% y-o-y. The key factors were rouble depreciation versus US dollar in 2014, as well as declining prices in export markets (-16%) due to continued surplus steelmaking capacities in the global metal sector.

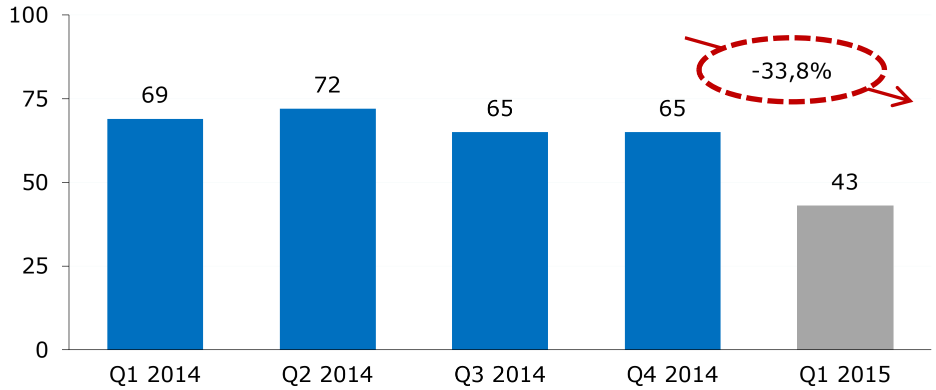
Russian steel segment revenue, mln USD



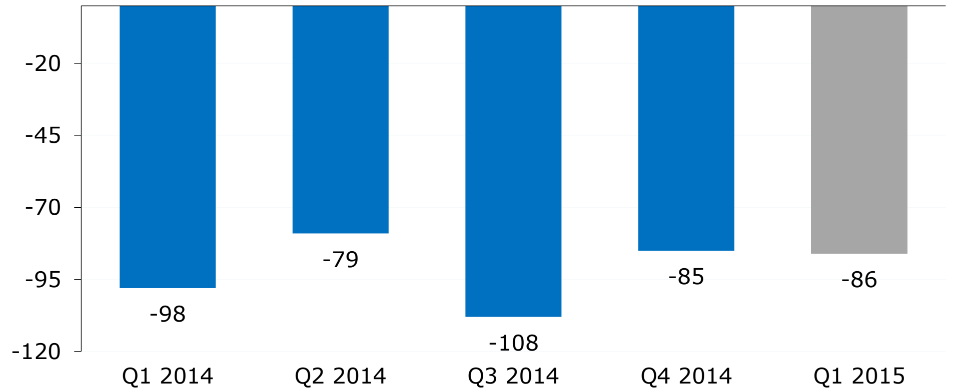
Turkish steel segment revenue, mln USD



Coal segment revenue, mln USD



Eliminations, mln USD

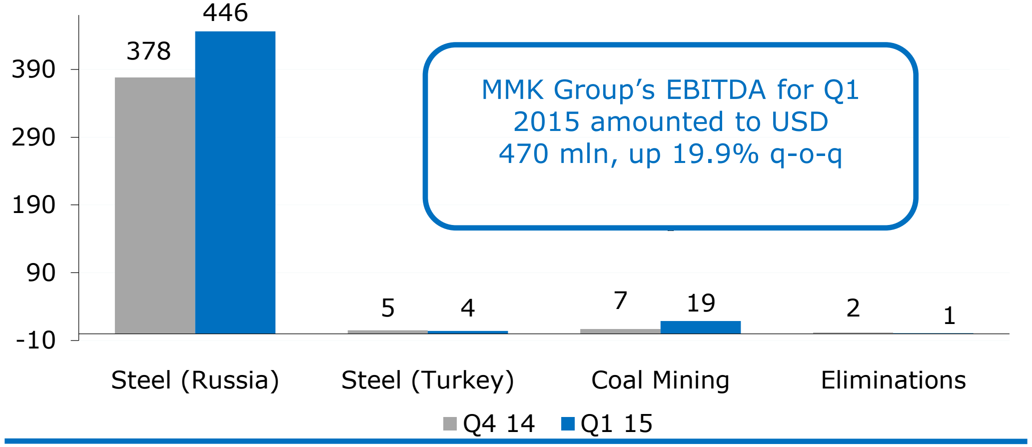


Source: MMK

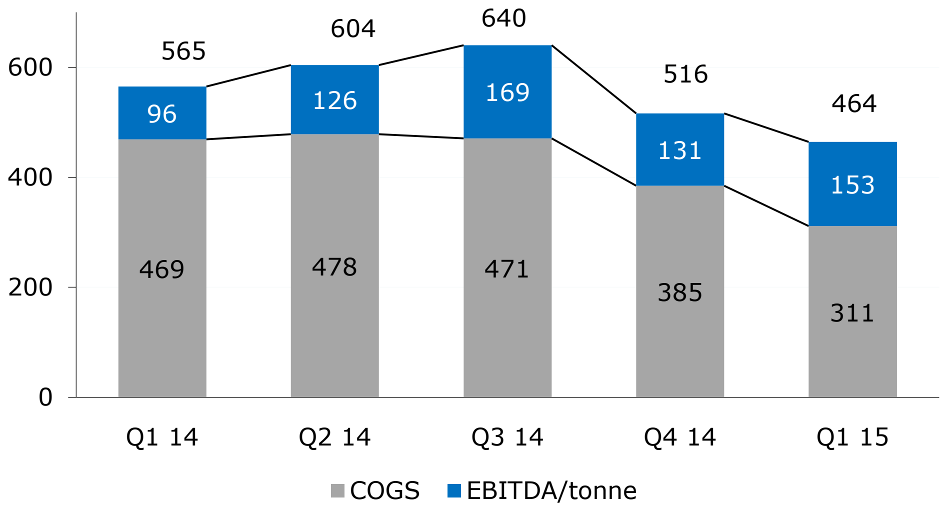
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- Coal segment EBITDA in Q1 2015 amounted to USD 19 mln, 2.7 times higher q-o-q. The main effect came from cost reduction due to rouble devaluation and coal price growth in early 2015.
- Rouble devaluation in 2014 helped to decrease COGS and EBITDA/tonne increased while average sales prices were going down.

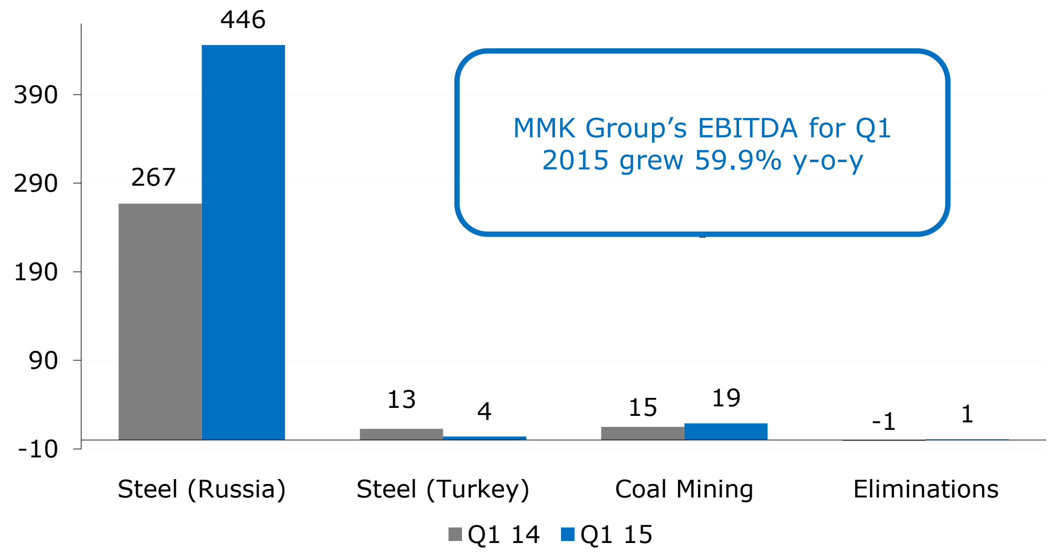
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



Annual EBITDA dynamics, mln USD

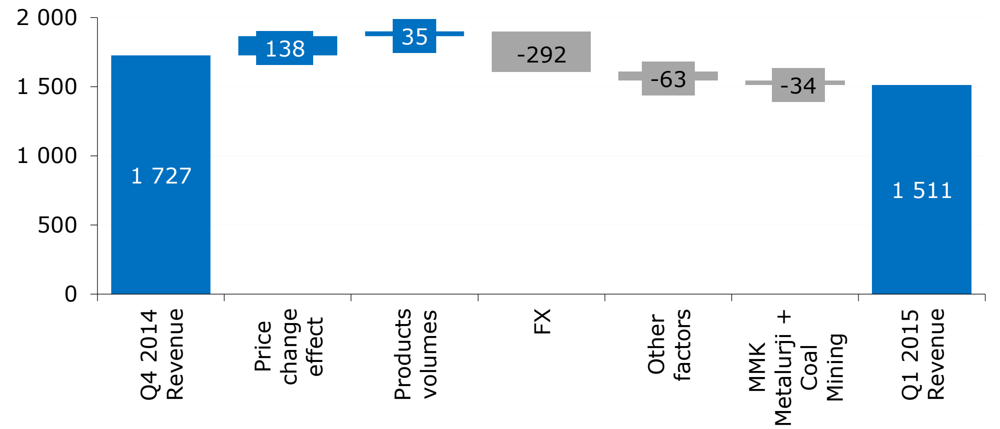


Source: MMK

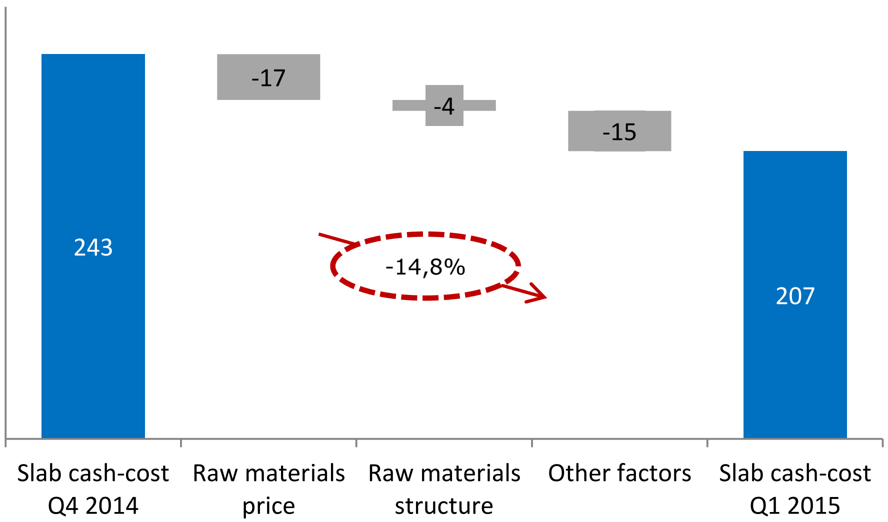
ANALYSIS OF KEY FINANCIAL HIGHLIGHTS

- The key factor affecting revenue in Q1 2015 was the rouble rate fluctuation vs the US dollar.
- In Q1 2015, the Company demonstrated significant growth in net profit to USD 196 mln. It was the maximum amount since Q4 2009.
- The cash-cost of slab decreased by 14.8% in Q1 2015 due to the decrease in prices for key raw materials, materials structure optimisation and other factors (production services, labour costs, etc.).

MMK Group's revenue, Q1 2015 vs Q4 2014, mln USD

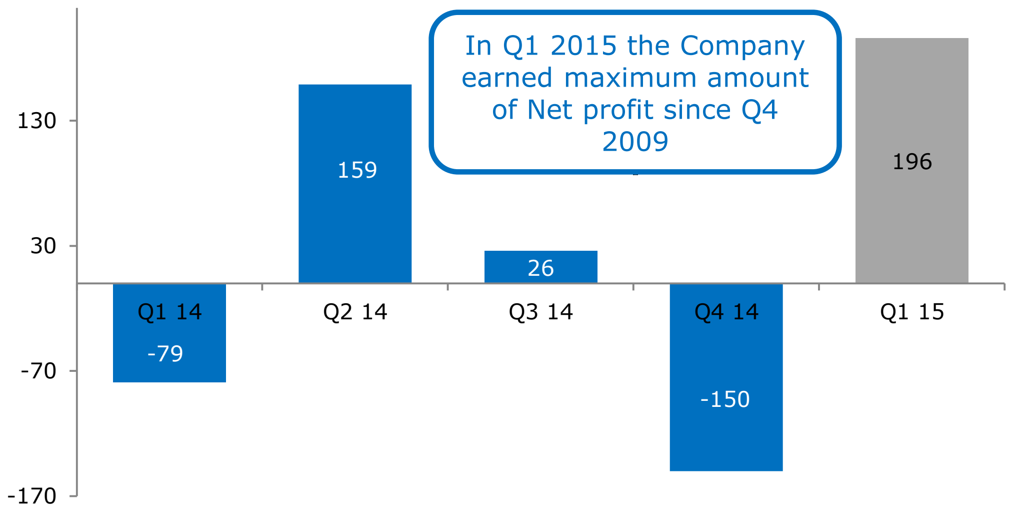


Cash-cost of slab dynamics, USD/t



Source: MMK

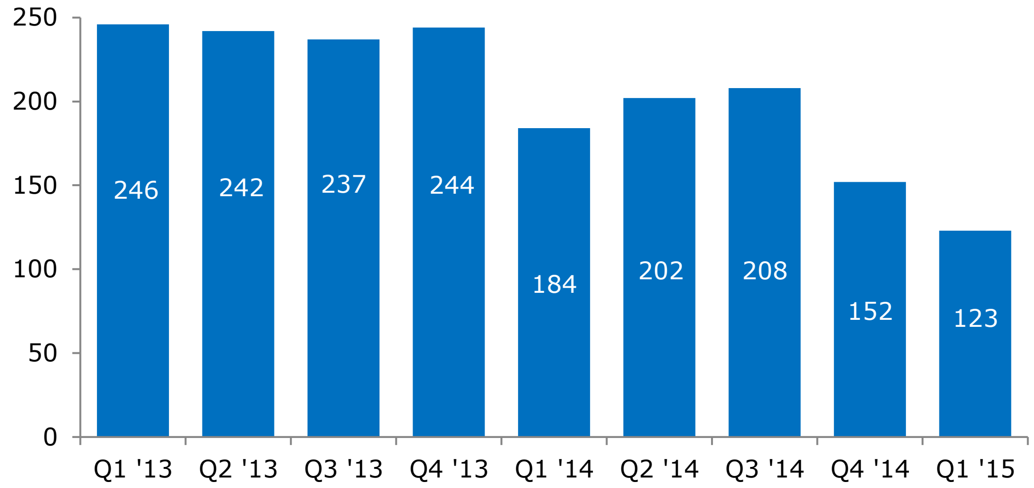
Net profit dynamics, mln USD



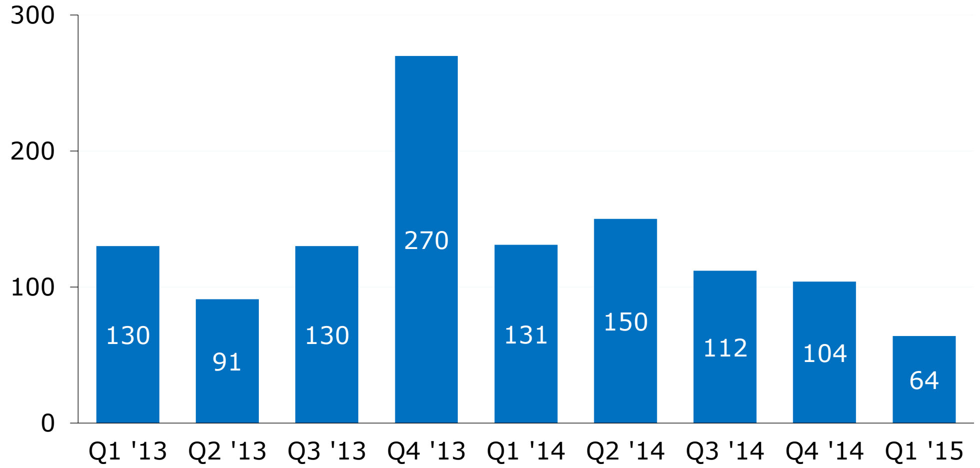
DECREASING DEPRECIATION AND INVESTMENT SUPPORTS THE GROUP'S RISING PROFITABILITY

- The rouble devaluation vs the US dollar in 2014 resulted in significantly lower depreciation costs in dollar terms.
- Deprecation costs in Q1 2015 amounted to USD 123 mln, down by 34% compared to average quarter result in 2014.
- MMK Group's CAPEX in Q1 2015 amounted to USD 64 mln (down 38.5 q-o-q and down 51.1% y-o-y).
- The Company confirms its plans to invest approx. USD 400 mln into fixed assets purchases in 2015.

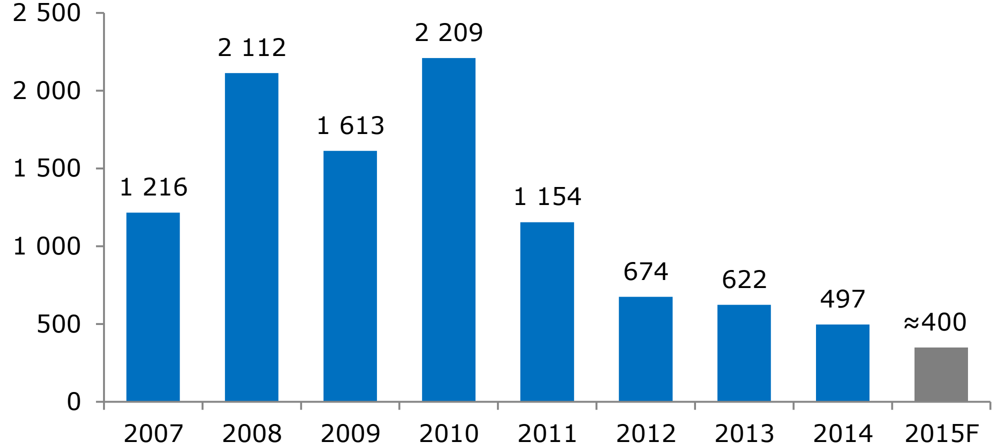
Lower depreciation costs decreases pressure on profit, mln USD



Quarterly CAPEX dynamics, mln USD



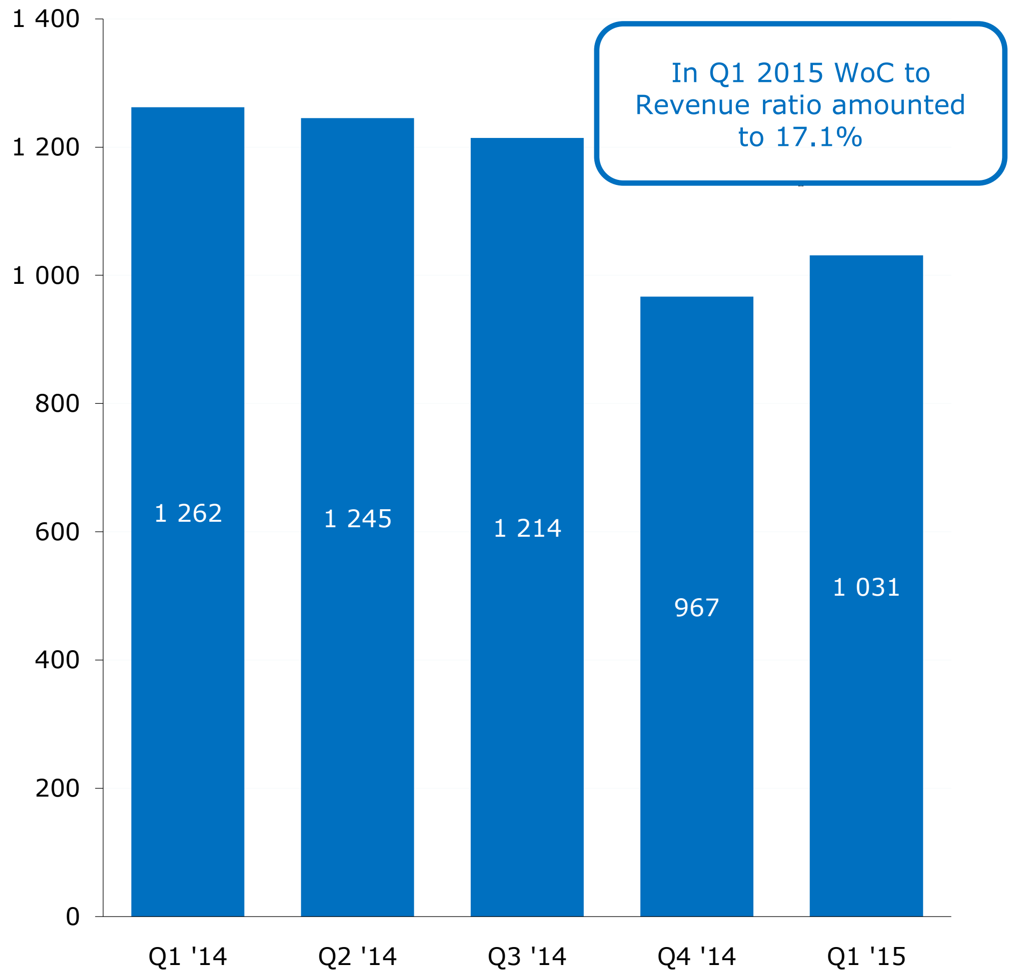
CAPEX decrease following the end of investment cycle, mln USD



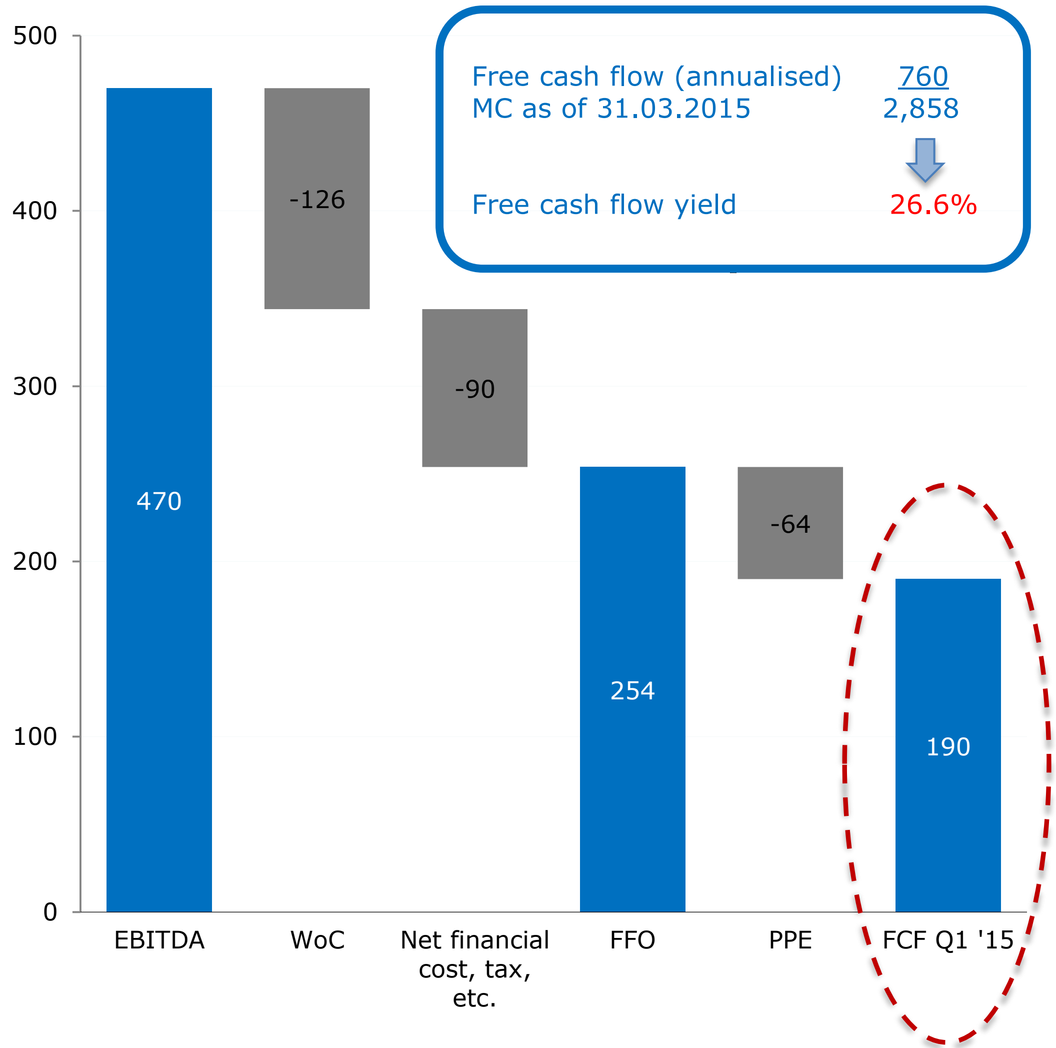
Source: MMK

MMK BENEFITS FROM ONE OF THE HIGHEST FREE CASH FLOW YIELD IN THE SECTOR

Net working capital dynamics, USD mln



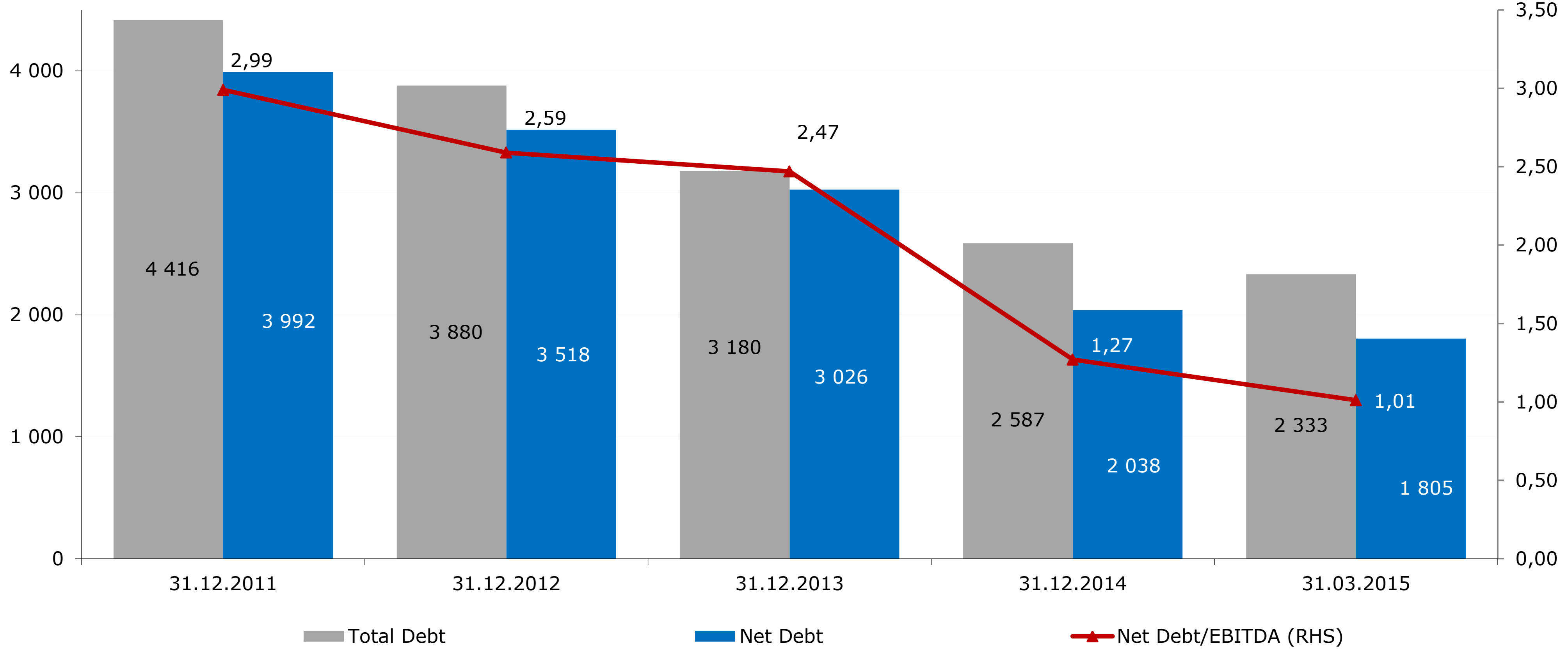
High FCF generation, USD mln



Source: MMK

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

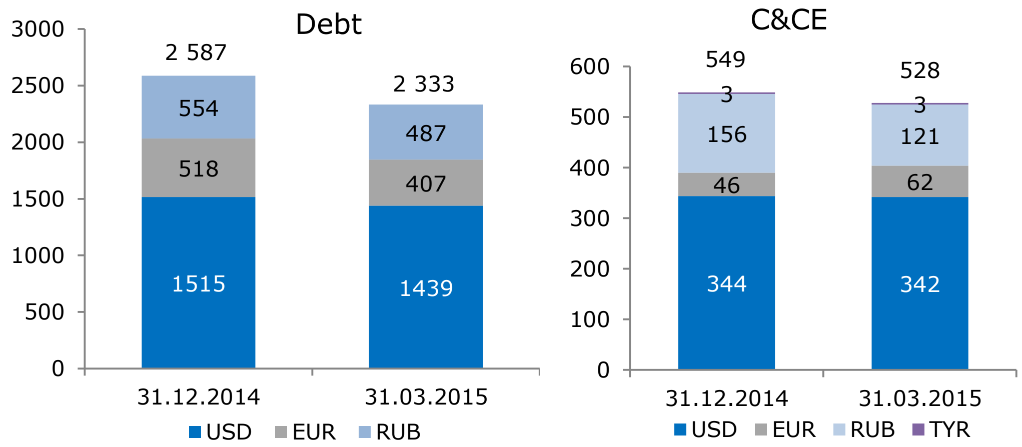
- MMK Group's net debt as of the end of Q1 2015 continued to decrease and amounted to USD 1,805 mln, down by USD 233 mln compared to 31.12.2014.
- At the end of Q1 2015, net debt / EBITDA decreased to 1.01x, which the Company's management sees as a comfortable level, but somewhat higher than debt load level of key peers.
- By the end of 2015, the Company plans to further decrease the debt load by using the Company's cash funds and cash flow from operations as a source.



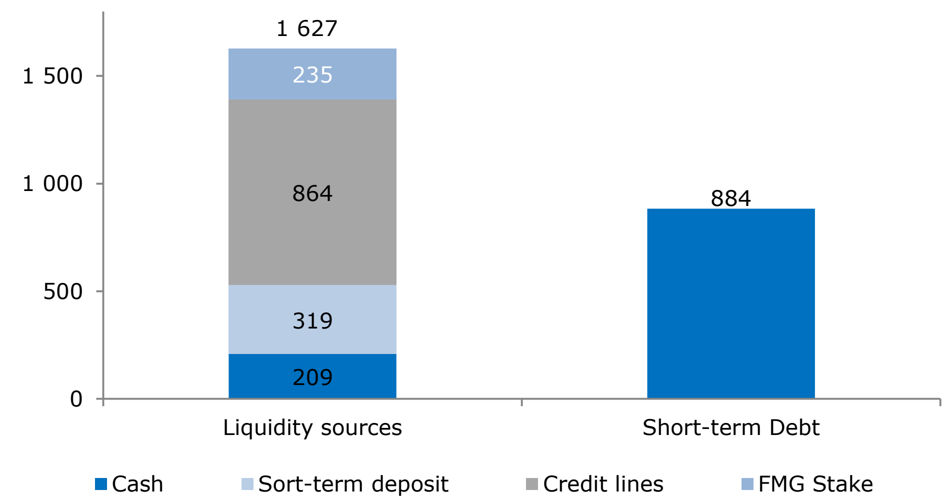
MMK GROUP'S DEBT PROFILE

- Further deleveraging is still the main priority for the management.
- The share of debt which is denominated in USD and EURO amounted to approx. 79% as of 31.03.2015.
- Volume of liquid funds in the MMK Group's balance sheet significantly exceeds the short-term debt.
- The debt maturity schedule does not presume any significant onetime payments.
- Substantial deposits were accumulated for debt repayment. The debt is not repaid in advance as deposits interest rates are higher than cost of debt.

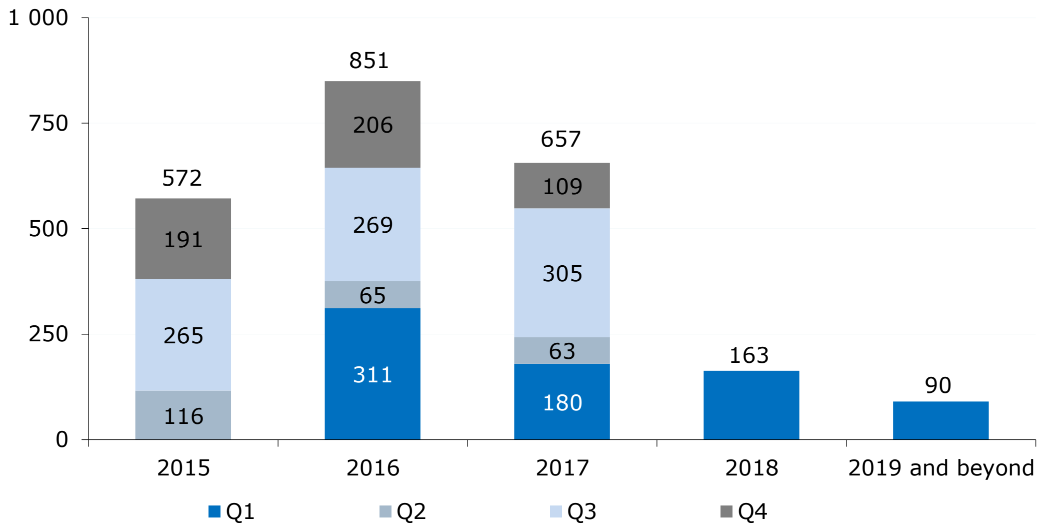
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD



Source: MMK

MAGNITOGORSK IRON & STEEL WORKS

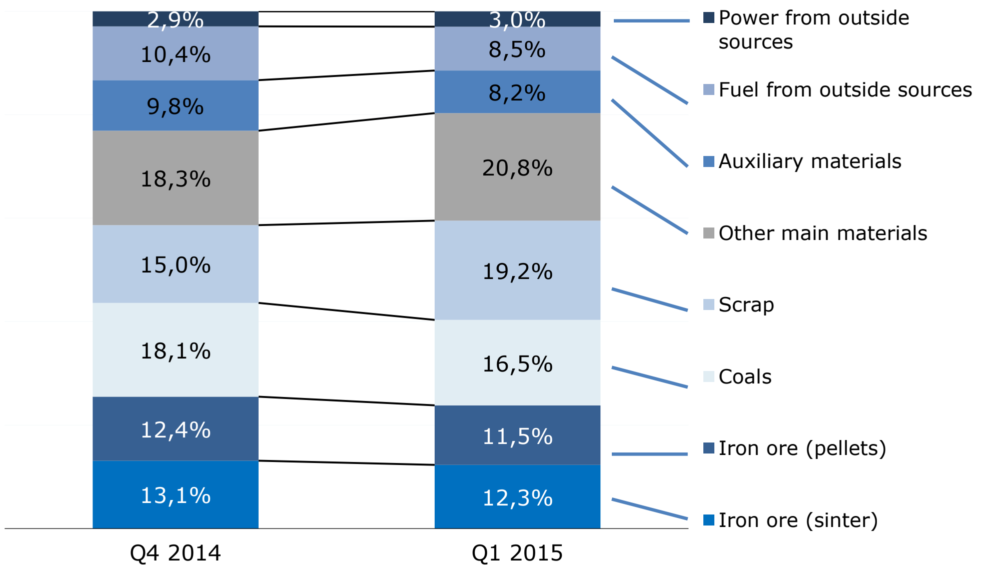
STRUCTURE OF OPERATING COSTS AND CASH COSTS

- In Q1 2015, the share of iron ore concentrate, pellets and coal decreased in the structure of OJSC MMK's material costs. At the same time, the share of metal scrap increased (due to scheduled BOF maintenance and higher EAF's utilization rate). Key materials (ferroalloys, zinc, etc.) share also increased as these materials are priced on the basis of dollar nominated indices.

- The decrease in operating costs in Q1 2015 by 22% q-o-q was due to the rouble devaluation (approximately 23% q-o-q).

- Q1 2015 Selling expenses decrease rate was slower due to q-o-q growth of sales volumes and higher export sales (with higher transportation costs).

OJSC MMK material costs, USD/t



Source: MMK

MMK Group operating costs, mln USD

	Q1 15	Q4 14	+/-	%
COGS	1 018	1 305	-287	-22%
Selling expenses	99	112	-13	-12%
General and administrative expenses	61	74	-13	-18%
Other operating expenses	-11	5	-16	-
Total operational expenses	1 167	1 496	-329	-22%

COMMENT ON MARKET SITUATION

- In Q2 2015, the Company generally sees some decrease in demand for its products on the domestic market. This weakening is mostly related to an earlier than usual (January – February 2015) restocking by metal traders and some deceleration of business activity in the construction sector. At the current demand level, the Company expects decrease in sales volume in Q2 2015 vs Q1 2015.

- The rouble price on the domestic market recovered to export parity level in March 2015. Currently, weakening domestic demand puts pressure on rouble prices in Russia.

- Global iron ore prices remain low, which, combined with surplus steel capacities worldwide (capacity utilisation rate below 77%) and significant growth in Chinese metal exports, puts pressure on steel prices.

Source: MMK

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