

MMK Group Trading Update for Q1 2018

MMK Group: Consolidated results

(thousand tonnes)

	Q1 2018	Q4 2017	%	Q1 2018	Q1 2017	%
Finished products output, of which:	2,828	2,827	0.0%	2,828	2,560	10.5%
Slabs and billets	0	2	-	0	0	-
Long products	284	342	-17.0%	284	316	-10.1%
Flat hot-rolled products	1,199	1,219	-1.6%	1,199	1,025	17.0%
Thick plate (mill 5000)	192	208	-7.7%	192	230	-16.4%
Flat cold-rolled products	338	294	15.0%	338	317	6.6%
Downstream products, of which:	815	762	6.9%	815	671	21.5%
<i>Tin plate</i>	36	19	89.4%	36	35	2.9%
<i>Galvanised steel</i>	435	389	11.8%	435	355	22.5%
<i>Polymer-coated steel</i>	152	157	-3.2%	152	111	36.9%
<i>Band</i>	37	38	-2.6%	37	27	37.0%
<i>Formed section</i>	35	36	-2.8%	35	21	66.7%
<i>Pipes</i>	11	8	37.5%	11	17	-35.3%
<i>Metalware</i>	95	95	0.1%	95	91	4.4%
<i>Other metal products</i>	14	20	-30.0%	14	13	7.7%
HVA products	1,345	1,264	6.4%	1,345	1,219	10.3%
Share of HVA products	47.6%	44.7%		47.6%	47.6%	
Coal concentrate production	666	760	-12.4%	666	609	9.4%
Iron ore production	761	844	-9.8%	761	691	10.1%

Q1 2018 highlights vs. Q4 2017 and Q1 2017

- ✓ MMK Group's total steel product sales in Q1 2018 totalled 2,828 thousand tonnes. Flat quarter-on-quarter (q-o-q) but up 10.5% year-on-year (y-o-y).
- ✓ MMK Group's HVA steel product sales in Q1 2018 totalled 1,345 thousand tonnes (up 6.4% q-o-q and up 10.3% y-o-y). The share of HVA products in total sales amounted to 47.6%.
- ✓ MMK Coal's coal concentrate production in Q1 2018 totalled 666 thousand tonnes (down 12.4% q-o-q but up 9.4% y-o-y).

MMK Group highlights by key segments

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(thousand tonnes)

	Q1 2018	Q4 2017	%	Q1 2018	Q1 2017	%
Pig iron	2,404	2,654	-9.4%	2,404	2,372	1.3%
Crude steel	3,147	3,291	-4.4%	3,147	3,066	2.7%
Finished products output, of which:	2,830	2,787	1.6%	2,830	2,675	5.8%
Slabs and billets	0	2	-	0	0	-
Long products	427	419	2.0%	427	439	-2.7%
Flat hot-rolled products	1,277	1,346	-5.1%	1,277	1,196	6.8%
HVA products, of which:	1,126	1,020	10.4%	1,126	1,039	8.4%
Thick plate (mill 5000)	198	210	-5.8%	198	231	-14.3%
Flat cold-rolled products	377	308	22.4%	377	353	6.8%
Downstream products, of which:	551	502	9.9%	551	455	21.1%
Tin plate	37	19	96.0%	37	37	-0.5%
Galvanised steel	330	298	10.7%	330	260	26.9%
Polymer-coated steel	91	100	-9.6%	91	89	2.4%
Band	39	36	8.6%	39	27	44.7%
Formed section	40	40	1.9%	40	24	68.6%
Pipes	14	9	60.6%	14	18	-22.8%
Shipments by market:						
Russia + CIS	2,225	2,055	8.3%	2,225	1,911	16.5%
Export	605	732	-17.3%	605	764	-20.7%

(USD / tonne)

	Q1 2018	Q4 2017	%	Q1 2018	Q1 2017	%
Average price per tonne:	647	616	5.0%	647	573	12.9%
Long products	566	547	3.5%	566	469	20.7%
Flat hot-rolled products	582	544	7.0%	582	494	17.8%
HVA products, of which:	753	739	1.9%	753	708	6.4%
Thick plate (mill 5000)	843	807	4.5%	843	708	19.1%
Flat hot-rolled products	628	620	1.3%	628	585	7.4%
Downstream products, of which:	805	783	2.8%	805	803	0.2%
Tin plate	833	834	-0.1%	833	889	-6.3%
Galvanised steel	771	741	4.0%	771	762	1.2%
Polymer-coated steel	965	928	4.0%	965	971	-0.6%
Band	684	698	-2.0%	684	686	-0.3%
Formed section	851	800	6.4%	851	776	9.7%
Pipes	687	700	-1.9%	687	610	12.6%

- ✓ Pig iron output in Q1 2018 decreased by 9.4% q-o-q. This was due to the launch of scheduled maintenance work on blast furnace No. 1 in February 2018.
- ✓ Lower pig iron production during the blast furnace maintenance made it possible to complete scheduled repairs to the oxygen converter while avoiding losses in production. As a result, crude steel output in Q1 2018 amounted to 3,147 thousand tonnes, down only 4.4% q-o-q.
- ✓ In Q1 2018, shipments of finished products totalled 2,830 thousand tonnes, up 1.6% q-o-q. This

growth in shipments (amid lower steel production) was due to reducing warehouse stocks and recovery in demand for steel on key markets of the Company.

- ✓ In Q1 2018, the Company managed to increase its domestic market shipments by 8.3% q-o-q. As a result, the share of domestic sales in the overall sales structure amounted to 78.6% (up from 73.7% in Q4 2017).
- ✓ In Q1 2018, shipments of long products increased by 2.0% q-o-q to 427 thousand tonnes. This growth was due to the increase in orders from metal traders and higher shipments to MMK-Metiz.
- ✓ The 5.1% decrease in shipments of hot-rolled products q-o-q in Q1 2018 was mainly due to changes in sales mix towards more high-margin products (with higher share of domestic sales) and scheduled maintenance of rolling mills.
- ✓ Shipments of HVA products in Q1 2018 grew 10.4% q-o-q and totalled 1,126 thousand tonnes. This growth was mainly due to higher sales of cold-rolled products and downstream products.
- ✓ Increase in sales of cold-rolled products in Q1 2018 (up 22.4% q-o-q) was due to higher demand from semi-integrated works and shipments of semi-finished rolled stocks to Lysvensky metallurgical plant.
- ✓ In Q1 2018, the Mill 5000's capacity utilisation rate remained at 100%. Decrease in shipments of the Mill's products by 5.8% q-o-q to 198 thousand tonnes was due to change in sales product mix to pipe producers in favour of high margin but less productive steel sheet.
- ✓ In Q1 2018, galvanised steel shipments increased by 10.7% q-o-q to 330 thousand tonnes mainly due to steel processing plants starting to restock amid anticipated higher prices and seasonally higher demand for steel products on the domestic market. This growth was delivered by the Company's expanded capacity to produce coated steel following the launch of a new galvanising line in mid-2017.
- ✓ Lower shipments of polymer-coated metal were due to higher shipments of galvanised steel and end of tolling transactions with Lysvensky metallurgical plant following its acquisition in late 2017.
- ✓ Sales of tin plate in Q1 2018 grew nearly two-fold q-o-q to 37 thousand tonnes due to higher demand from the food industry.
- ✓ The average sales price in US dollars in Q1 2018 increased by 5.0% q-o-q to USD 647 per tonne. This growth was due to improved sales mix, recovery of the share of domestic sales and a continued growth in rouble prices on the domestic market during the quarter.

Steel segment (Turkey)

(thousand tonnes)

	Q1 2018	Q4 2017	%	Q1 2018	Q1 2017	%
MMK Metalurji finished products, of which:	231	213	8.1%	231	210	10.0%
Flat hot-rolled products	27	37	-27.5%	27	40	-32.5%
HVA products, of which:	204	176	15.6%	204	170	20.0%
Galvanised steel	148	122	20.9%	148	132	12.0%
Polymer-coated steel	56	54	3.7%	56	38	47.7%
MMK Metalurji finished output from MMK steel	153	176	-13.1%	153	163	-6.4%

- ✓ Sales of finished products in Q1 2018 increased by 8.1% q-o-q and totalled 231 thousand tonnes. This growth was mainly due to higher galvanised steel sales (up 26 thousand tonnes or 20.9%), which under current market conditions generated higher margin.
- ✓ Sales of finished products in Q1 2018 grew 21 thousand tonnes or 10.0% y-o-y.
- ✓ Uncertainty over the consideration of measures restricting steel imports into the EU and declared US import tariffs for a number of countries, and the commissioning of new coated metal facilities in Turkey, currently point to potential growth of competition on the domestic market.

MMK Coal

(thousand tonnes)

	Q1 2018	Q4 2017	%	Q1 2018	Q1 2017	%
Coking coal mining	865	1,158	-25.3%	865	779	11.0%
Coking coal processing	1,259	1,364	-7.7%	1,259	1,047	20.2%
Mined	943	1 003	-6.0%	943	723	30.4%
Purchased	299	355	-15.8%	299	324	-7.7%
Toll	17	6	171.8%	17	0	-
Coking coal concentrate	666	760	-12.4%	666	609	9.4%

- ✓ Coking coal production in Q1 2018 declined by 25.3% q-o-q and amounted to 865 thousand tonnes. This decline is due to maintenance work at Kostromskaya mine and operations in a geologically complex area at Chertinskaya-Koksovaya mine.
- ✓ Coal concentrate production in Q1 2018 amounted to 666 thousand tonnes, up 12.4% q-o-q. The increase in coal production from own materials was due to lower production at Kostromskaya and Chertinskaya-Koksovaya mines in February 2018, as well as lower coal purchases from third-parties.
- ✓ Despite lower coal production in Q1 2018, the Company plans to increase coal mining volumes and coal concentrate production in FY 2018 as compared to FY 2017.

Outlook

Management expects that growth in sales volume in Q2 2018 will be limited by high stocks in metal traders' warehouses on the domestic market and continued maintenance works on the rolling facilities.

This factor will be balanced by higher sales prices on the domestic markets and lower prices for key raw materials.

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 2017, the company produced 12.9 million tonnes of crude steel and 11.6 million tonnes of commercial steel products. MMK Group had sales in 2017 of USD 7,546 million and EBITDA of USD 2,032 million.

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