



**MAGNITOGORSK
IRON & STEEL
WORKS**



IFRS financial statements for Q3 and 9M 2015

06 November 2015



Q3 2015 Financial results

Revenue	USD 1,502 mln	●	down 8.7% q-o-q
Cost of sales	USD 1,036 mln	●	down 6.4% q-o-q
EBITDA	USD 430 mln	●	down 12.8% q-o-q
EBITDA margin	28.6%	●	down 1.4 p.p. q-o-q
Net profit	USD 78 mln	●	down 71.3% q-o-q
Cash-cost of slab	USD 196 per tonne	●	down 18.3% q-o-q
Free cash flow (FCF)	USD 571 mln	●	up 219.0% q-o-q
CAPEX	USD 85 mln	●	down 6.6% q-o-q

9M 2015 Financial results

Revenue	USD 4,658 mln	●	down 25.2% y-o-y
Cost of sales	USD 3,161 mln	●	down 35.6% y-o-y
EBITDA	USD 1,393 mln	●	up 14.7% y-o-y
EBITDA margin	29.9%	●	up 10.4 p.p. y-o-y
Net profit	USD 546 mln	●	up by over 5 times y-o-y
Net debt	USD 1,125 mln	●	down by USD 913 mln compared to 31.12.2014
Net debt / EBITDA	x0.63	●	down from x1.27 as of 31.12.2014
Free cash flow (FCF)	USD 940 mln	●	up by over 2 times y-o-y
CAPEX	USD 240 mln	●	down 38.9% y-o-y



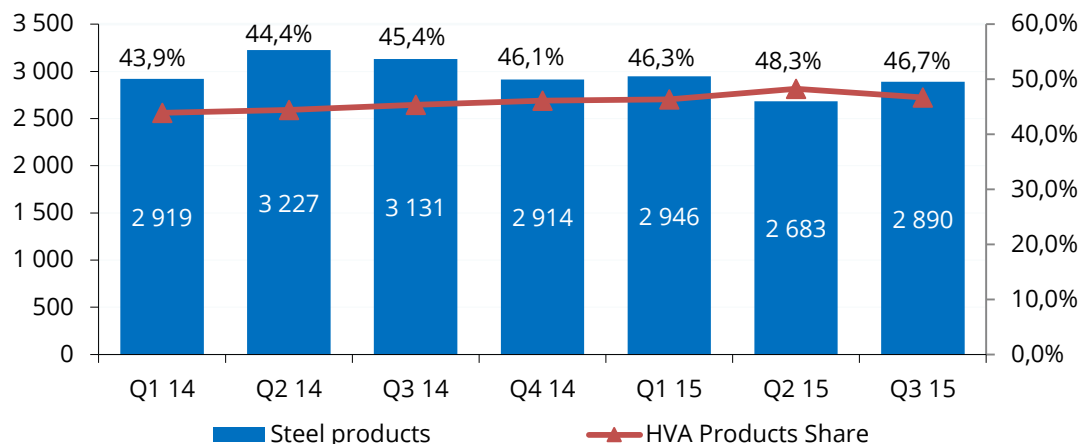
Key production indicators, ths tonnes

	Q3 15	Q2 15	%	9M 15	9M 14	%
Cast Iron	2,656	2,578	3.0%	7,590	7,804	-2.7%
Crude Steel , incl.	3,141	2,969	5.8%	9,338	9,959	-6.2%
MMK	3,141	2,969	5.8%	9,338	9,959	-6.2%
MMK Metalurji	0	0	-	0	0	-
Steel Products, incl.	2,890	2,683	7.7%	8,519	9,278	-8.2%
MMK	2,894	2,677	8.1%	8,415	8,874	-5.2%
MMK-Metiz*	117	100	17.3%	320	406	-21.2%
MMK Metalurji*	198	210	-5.7%	582	518	12.4%
HVA Products	1,350	1,295	4.2%	4,010	4,135	-3.0%
Belon Coke Concentrate	730	701	4.1%	2,025	2,055	-1.5%

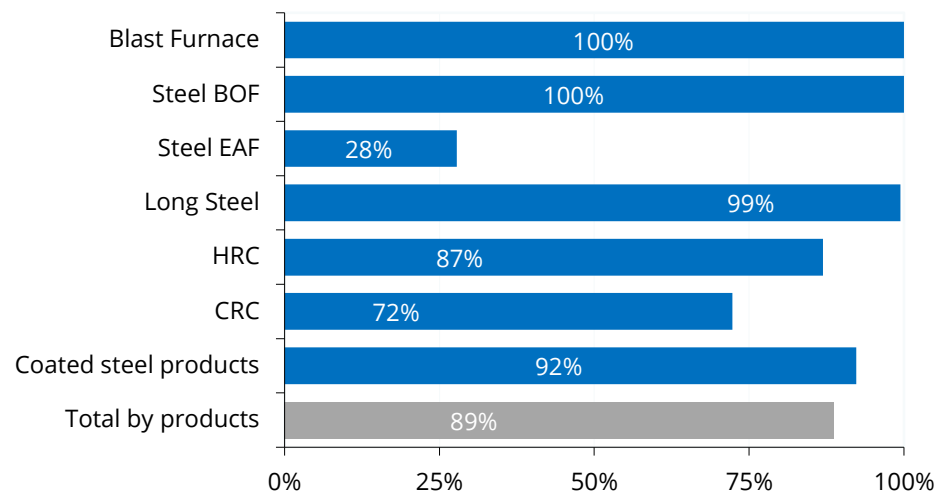
- MMK Group's finished steel products output in 9M 2015 was down 8.2% y-o-y.
- MMK Group High Value Added (HVA) steel products output in 9M 2015 was down 3.0% y-o-y.
- The share of HVA products in total output volume increased to 47.1% in 9M 2015.
- The total steel-making capacity utilisation rate at the main production site in Magnitogorsk in 9M 2015 was approx. 89%.

* - incl. made from MMK steel

MMK Group finished products dynamics, ths tonnes



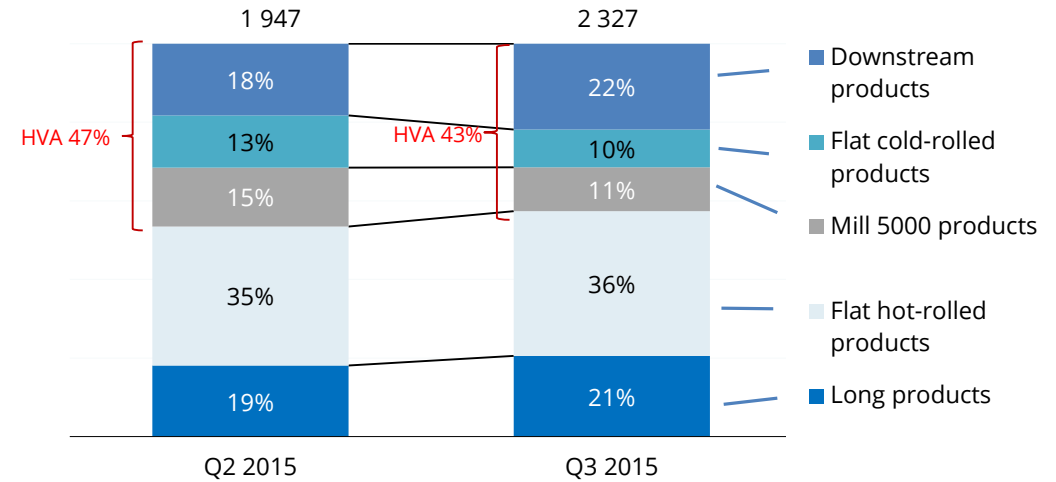
Key capacities utilisation rates in Q3 2015, %



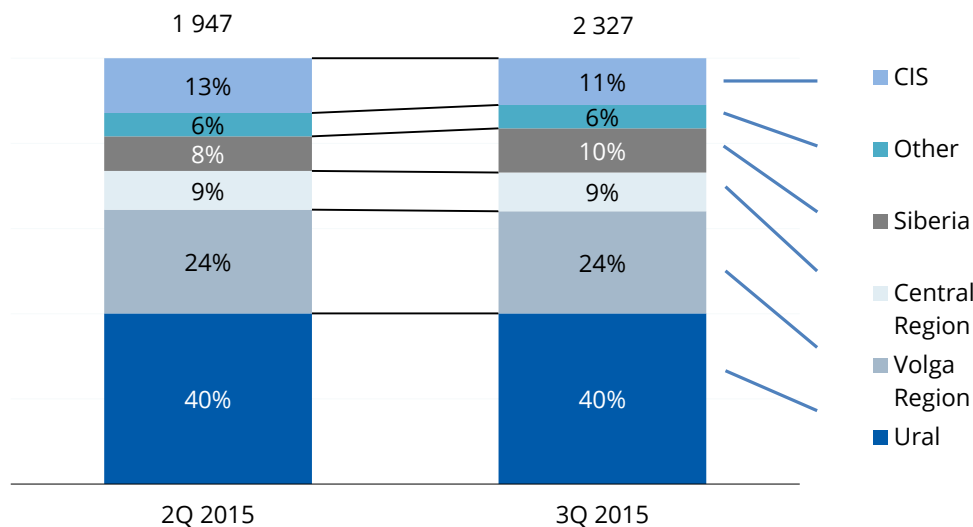


- Total sales volume on the Russian and CIS market in Q3 2015 was 2,327 ths tonnes, up 380 ths tonnes q-o-q. This was primarily due to overall seasonal recovery in the domestic demand for steel during the quarter.
- Sales of thick plate produced at Mill 5000 decreased by 32 ths tonnes, or 11.0%, q-o-q, which was due to the irregular supply schedule of large-diameter pipes for the construction of major Gazprom projects
- Sales of long steel in Q3 2015 increased by 36% q-o-q to 480 ths tonnes due to increasing demand for construction products since July 2015.

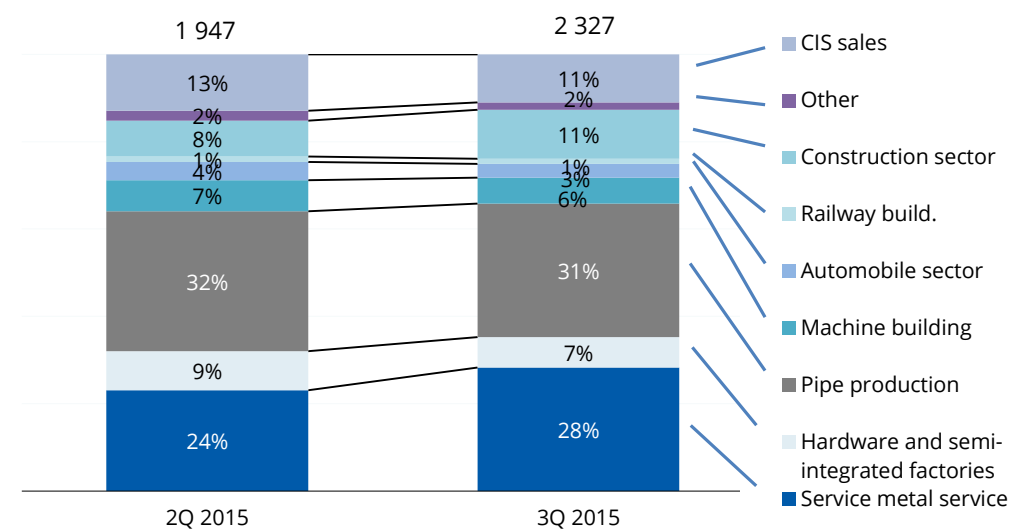
Sales structure on the Russian and CIS market, ths tonnes



Russia and CIS market sales by region, ths tonnes



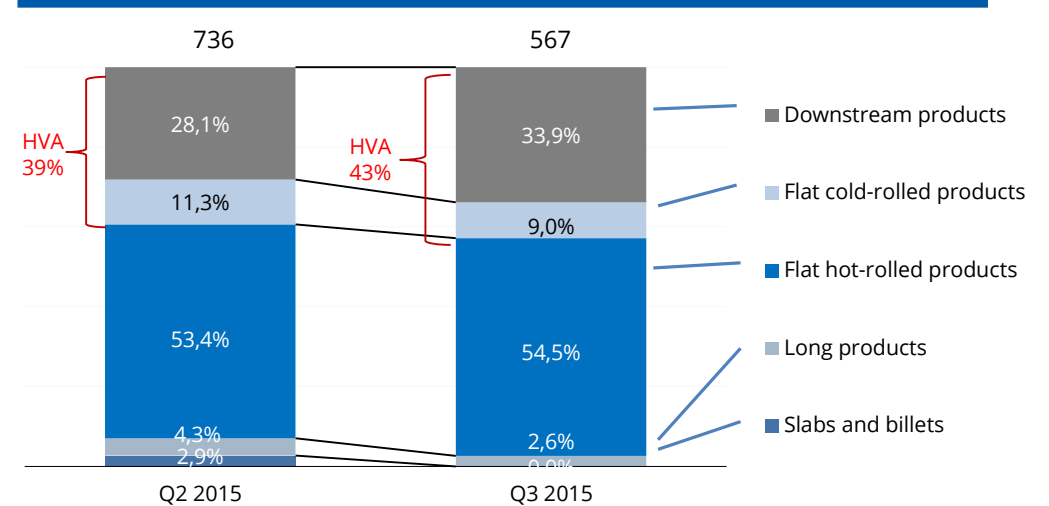
Russia and CIS market sales by sector, ths tonnes



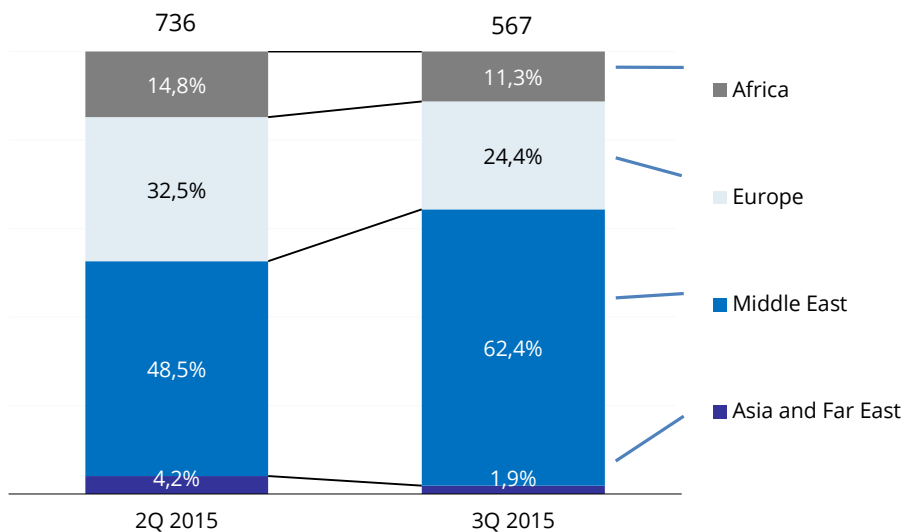


- Sales on international markets in Q3 2015 amounted to 567 ths tonnes. Hot-rolled products accounted for 54.5% of exports, while the share of HVA products increased to 43%.
- Decrease in sales of cold-rolled products in Q3 2015 as compared to the previous quarter was due to decline in relevant demand on international markets.
- In Q3 2015, the Company increased its proportion of sales to the Middle East as compared to the previous quarter. This made up for the decrease in sales to Europe.

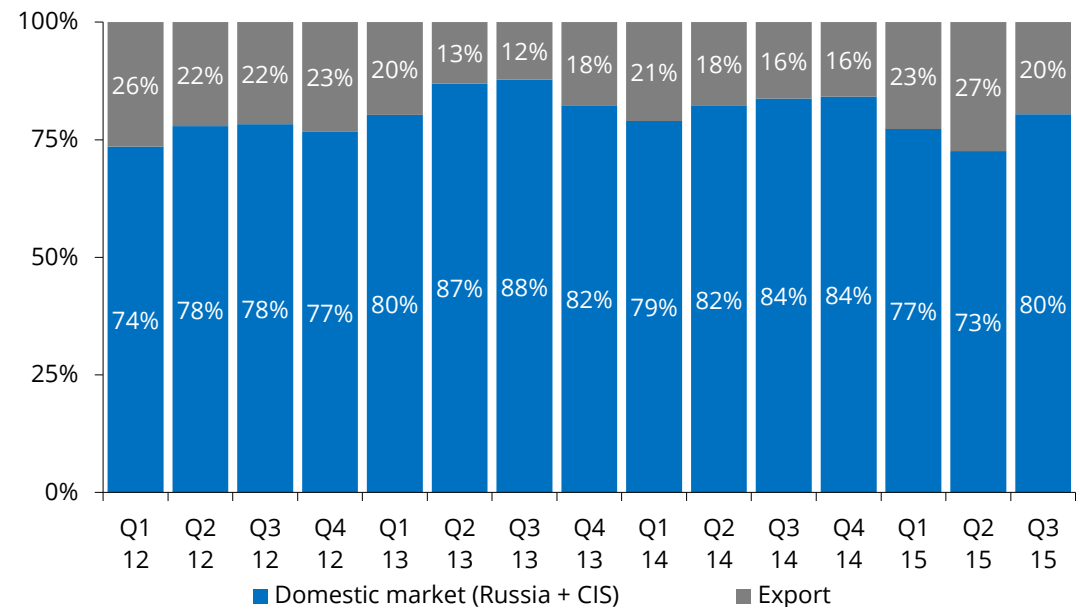
Sales structure on the international markets, ths tonnes



International sales structure by region, ths tonnes



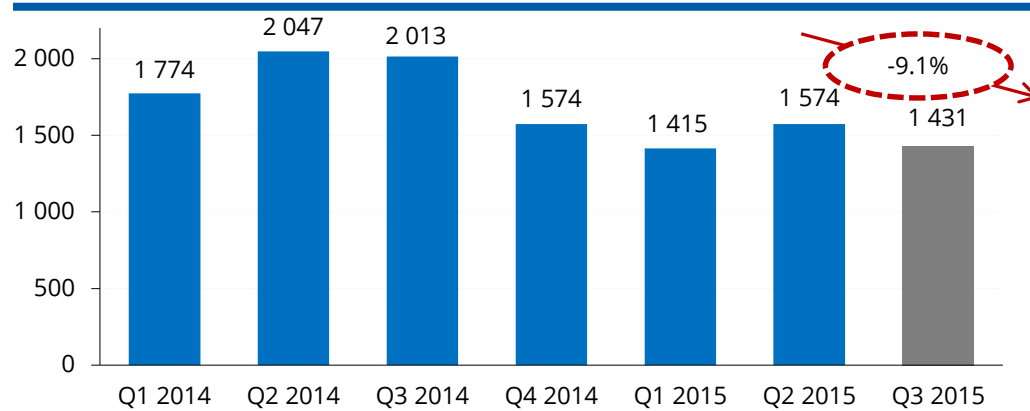
Sales share by market, ths tonnes



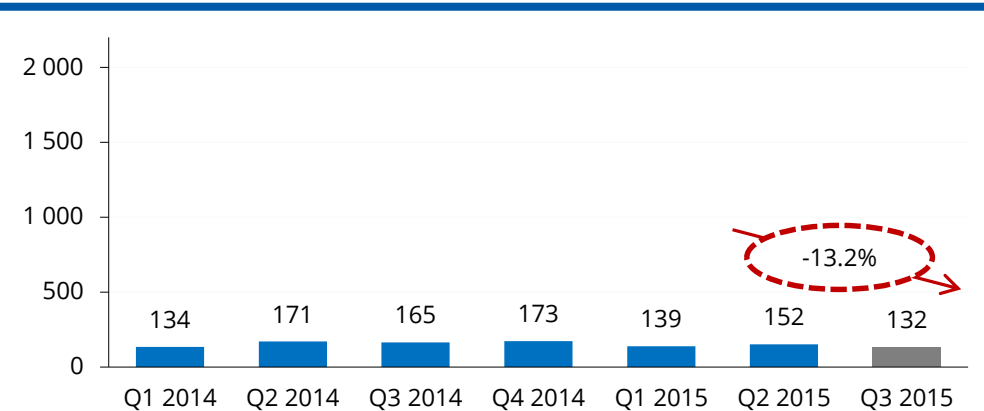


- Revenue for Q3 2015 amounted to USD 1,502 mln, down 8.7% q-o-q. The key factors were the rouble's weakening versus US dollar during the quarter, as well as decrease in the average sales price (down 15.5%).

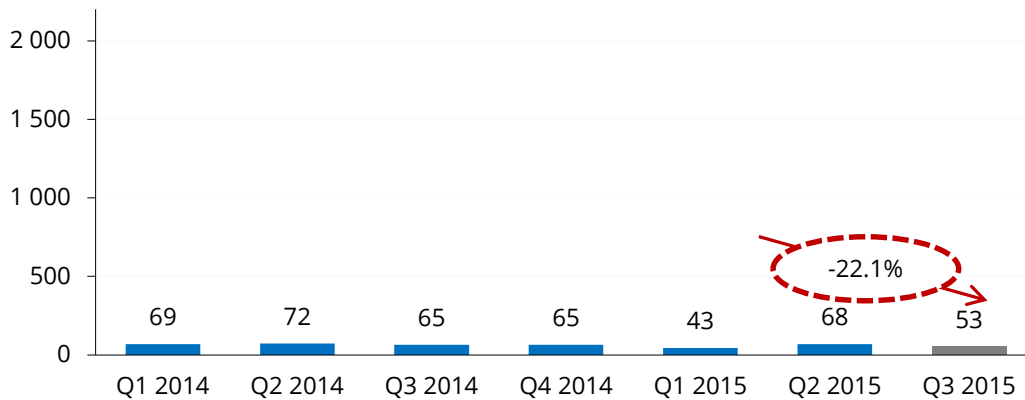
Steel segment revenue (Russia), mln USD



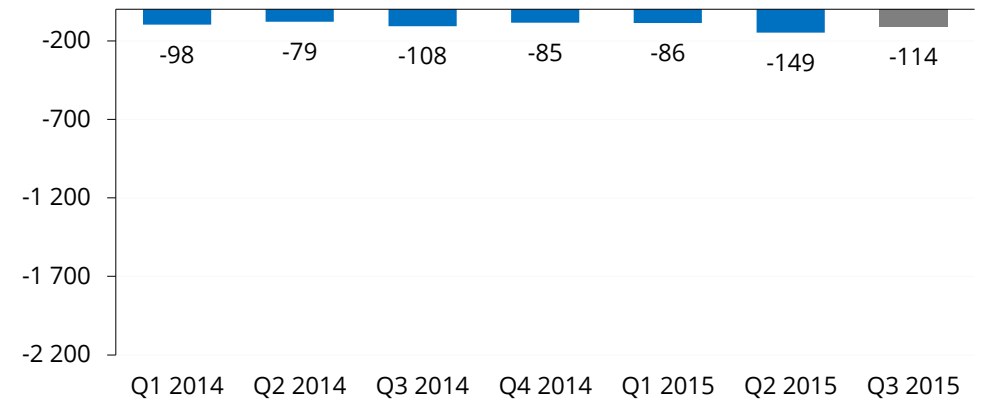
Steel segment revenue (Turkey), mln USD



Coal segment revenue, mln USD



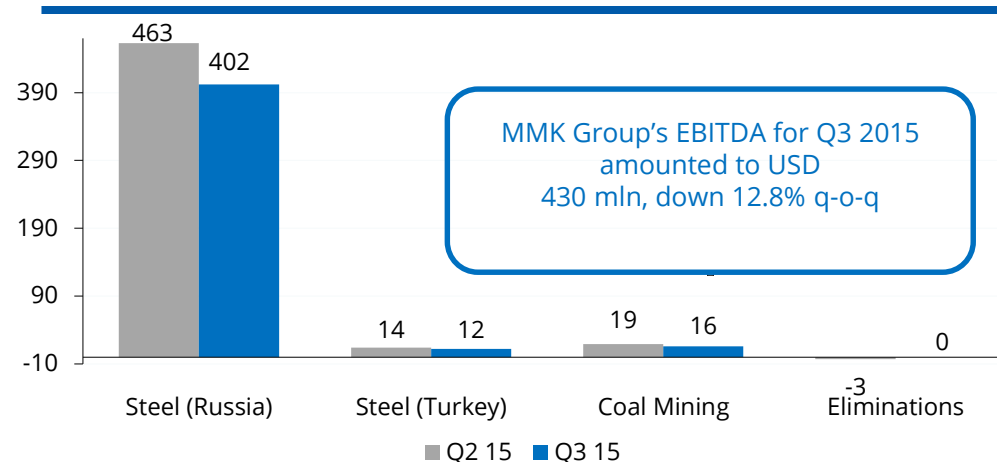
Consolidation, mln USD



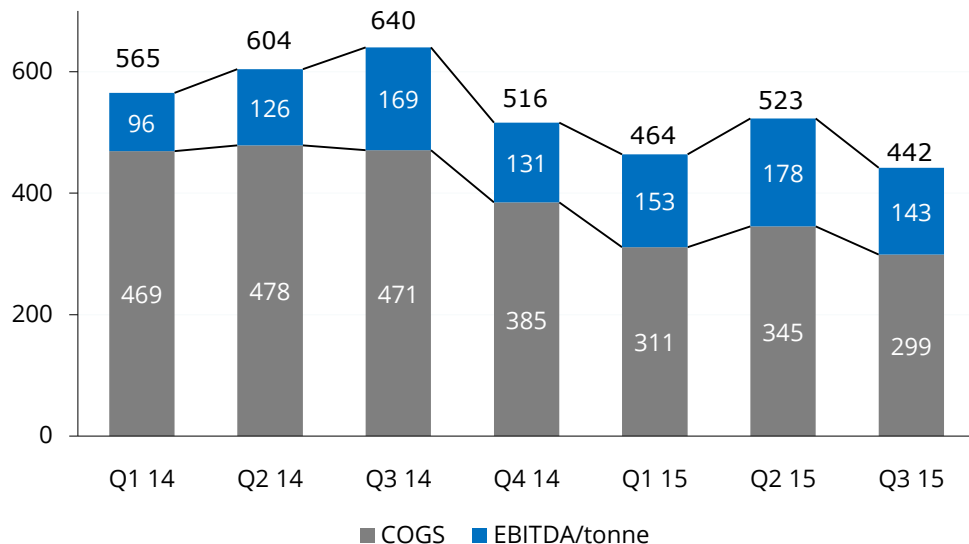


- Decrease in global steel prices and the rouble's weakening versus US dollar in Q3 2015 resulted in decline in average sales prices and EBITDA/tonne indicator.
- EBITDA for the steel segment (Turkey) in Q3 2015 amounted to USD 12 mln, slightly down q-o-q. This was mainly due to sales decline.
- EBITDA of the coal segment remained at a high level in Q3 2015, resulting in over 10 times y-o-y growth for this indicator in 9M 2015.

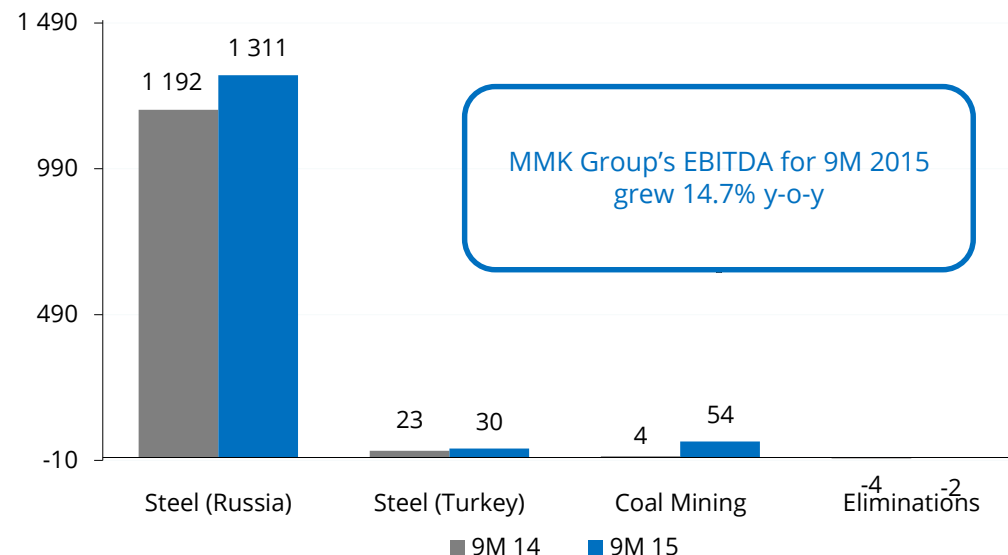
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



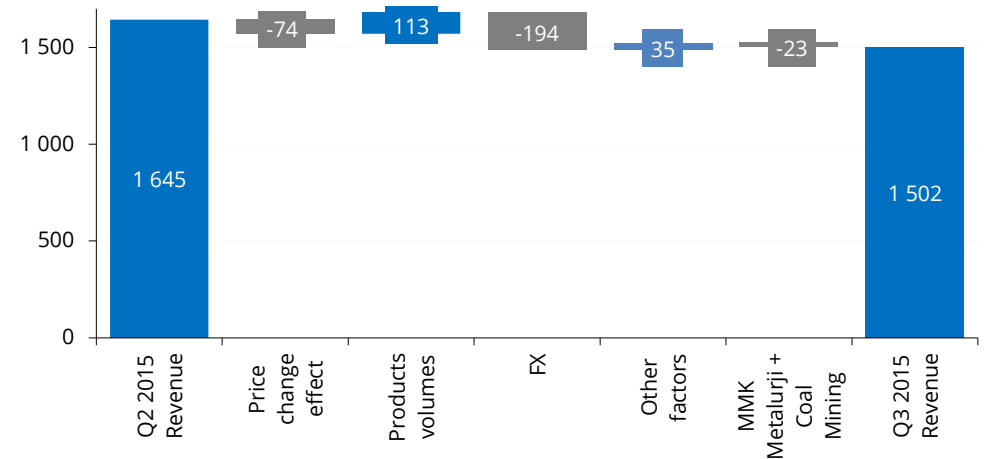
Annual EBITDA dynamics, mln USD



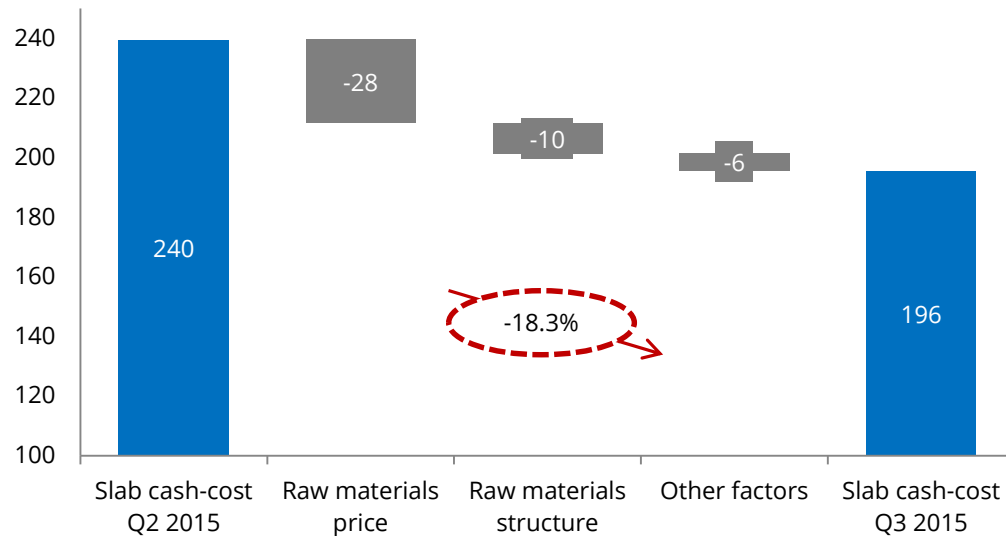


- The key factors impacting revenue in Q3 2015 were growth in sales volumes and the rouble weakening vs the US dollar.
- In Q3 2015, the Company's net profit decreased to USD 78 mln. This was mainly due to FX losses of USD 135 mln.
- In 9M 2015, profit amounted to USD 546 mln, up by over 5 times y-o-y.
- The cash-cost of slab decreased by 18.3% in Q3 2015, mainly due to the decrease in raw material prices and changes in the raw materials structure.

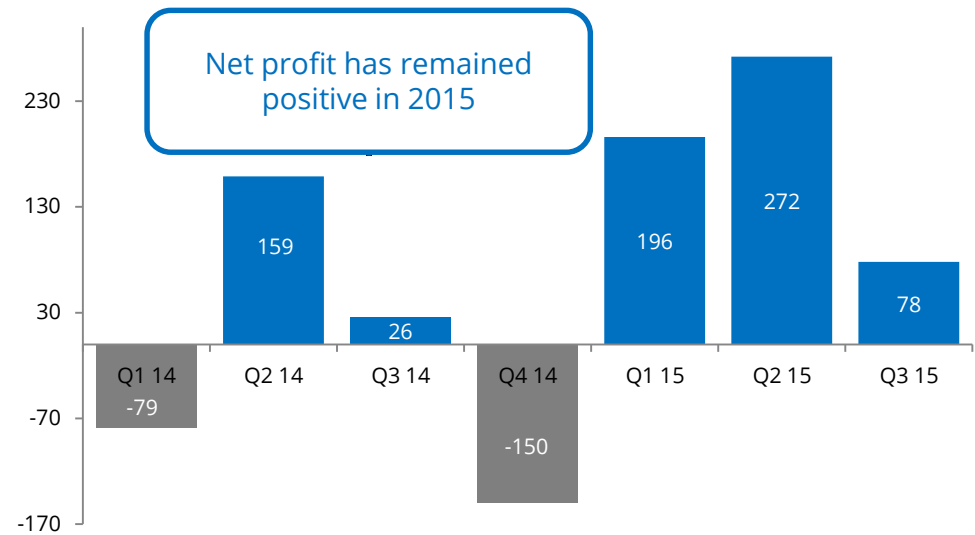
Analysis of revenue, Q3 2015 q-o-q, mln USD



Cash-cost of slab dynamics, USD/t



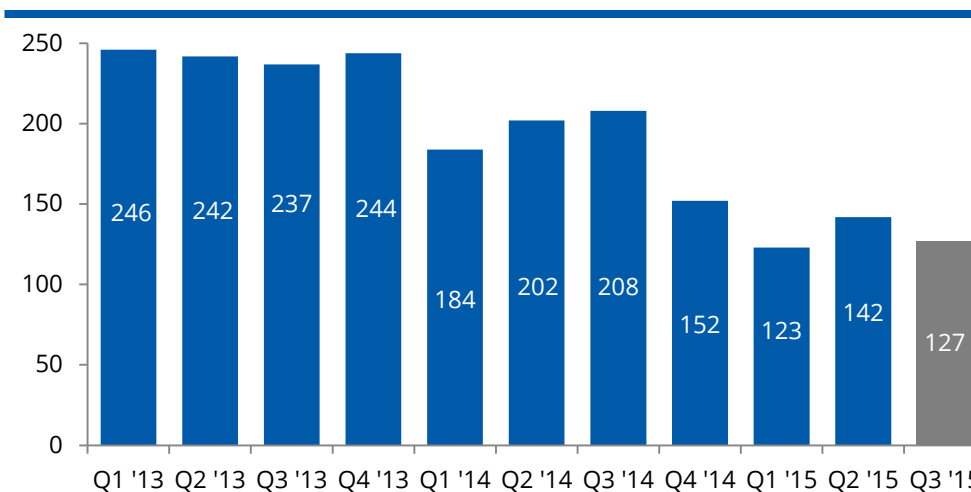
Net profit dynamics, mln USD



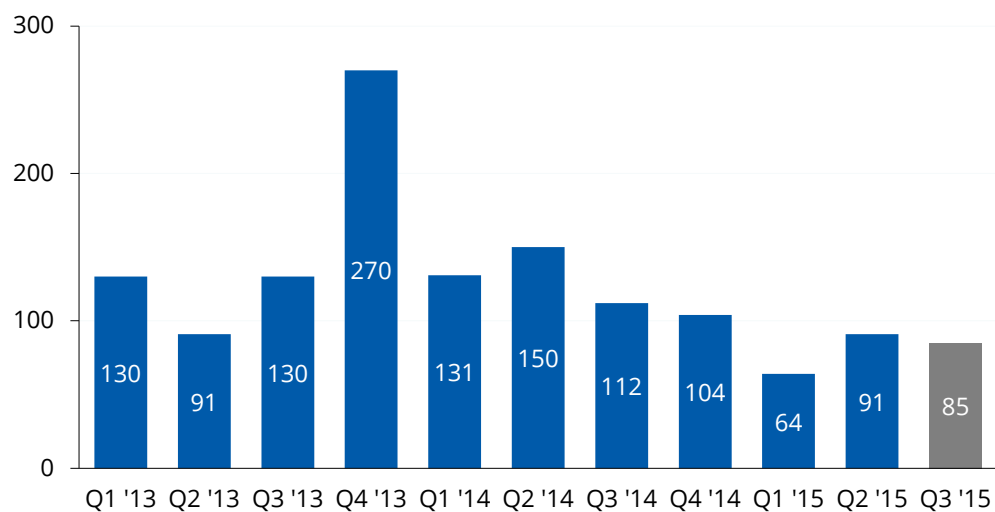


- MMK Group's CAPEX in Q3 2015 amounted to USD 85 mln (down 6.6% q-o-q). In 9M 2015 CAPEX decreased by 38.9% y-o-y to USD 240 mln.
- The Company confirms its plans to invest approx. USD 400 mln into fixed asset purchases in 2015.

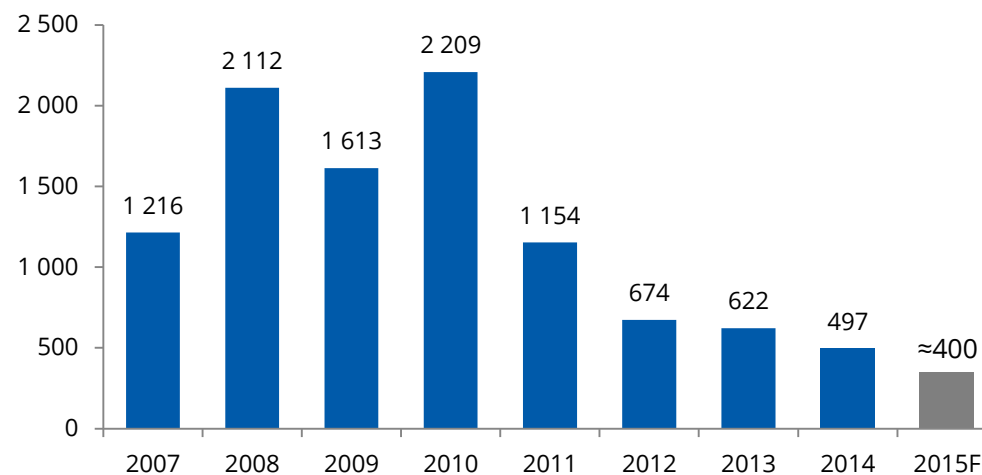
Quarterly depreciation dynamics, mln USD



Quarterly CAPEX dynamics, mln USD

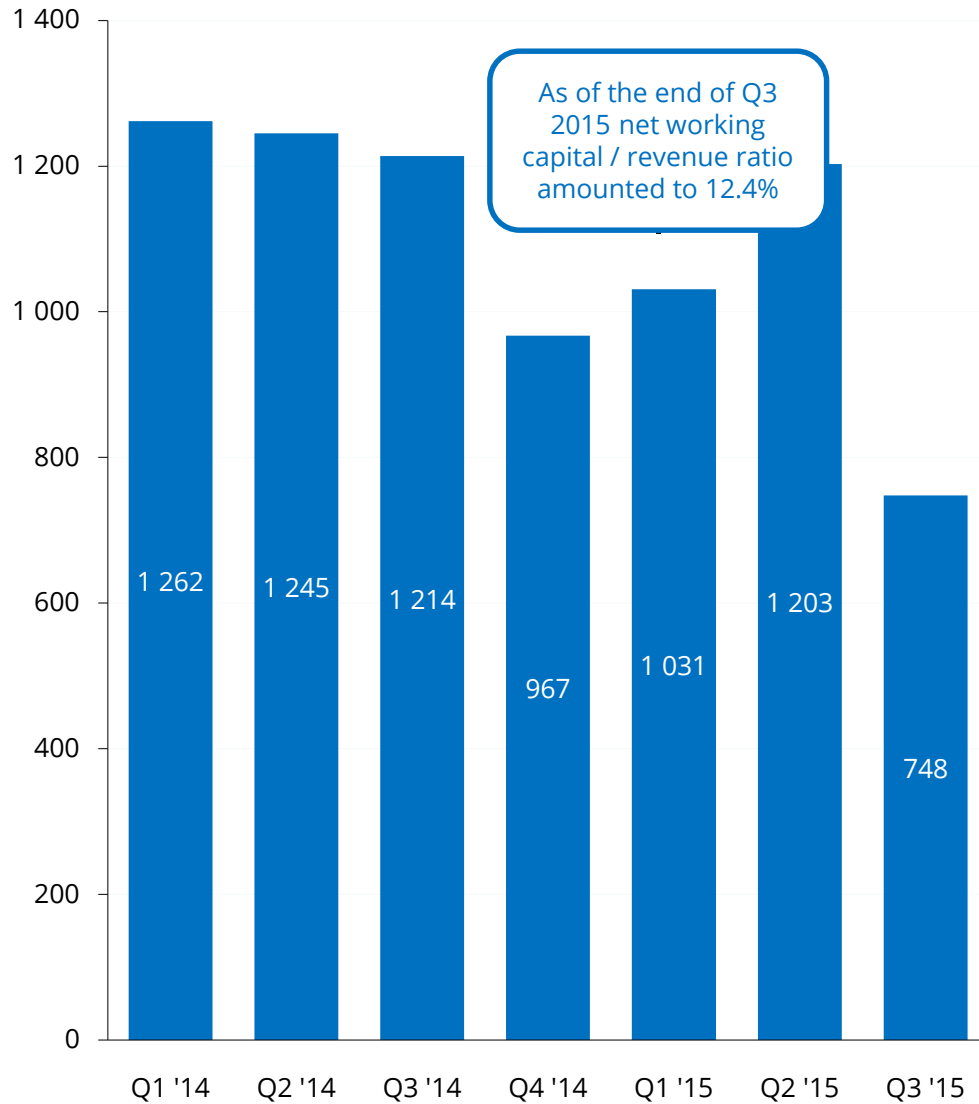


Annual CAPEX dynamics, mln USD

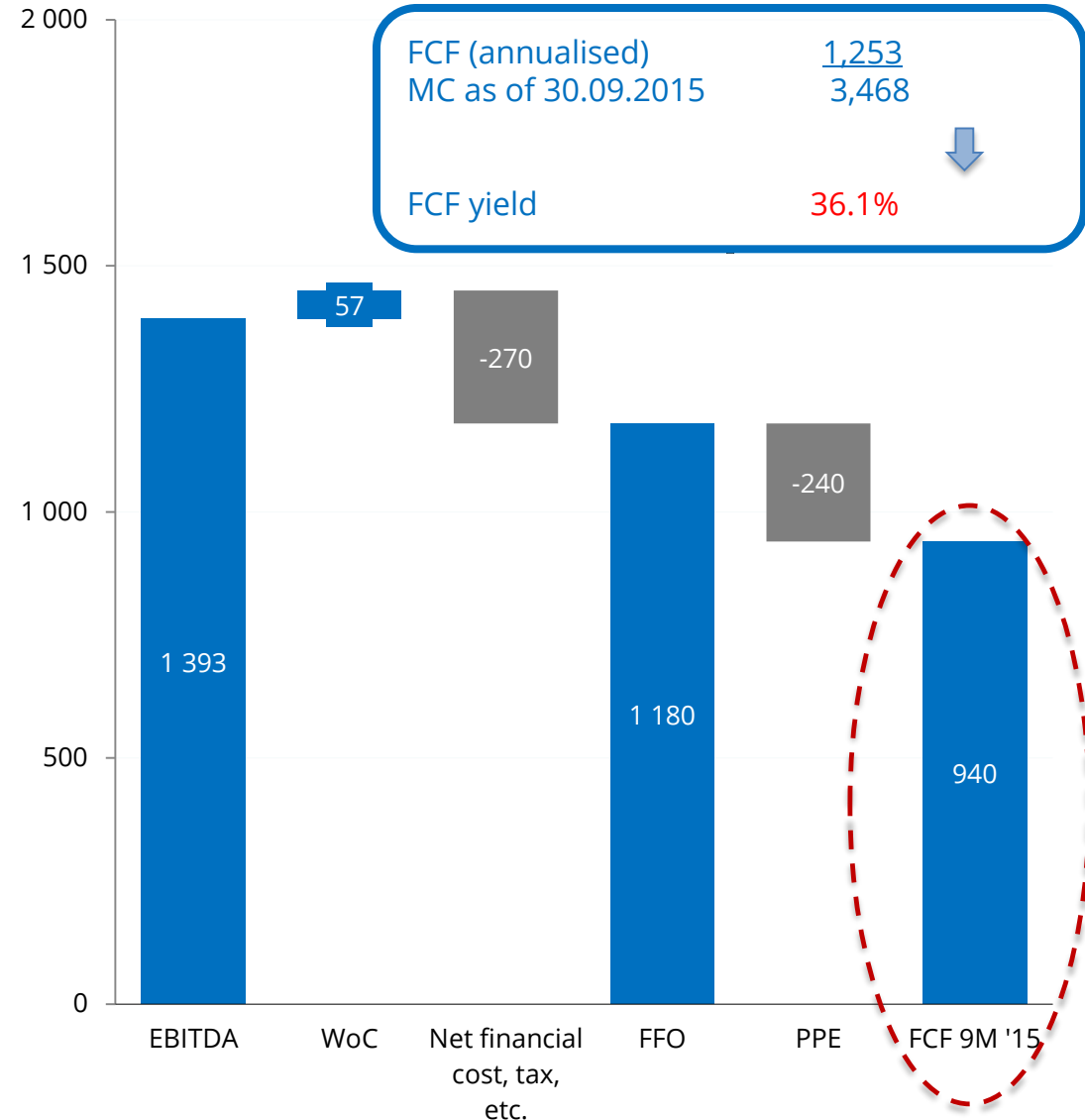




Net working capital dynamics, mln USD

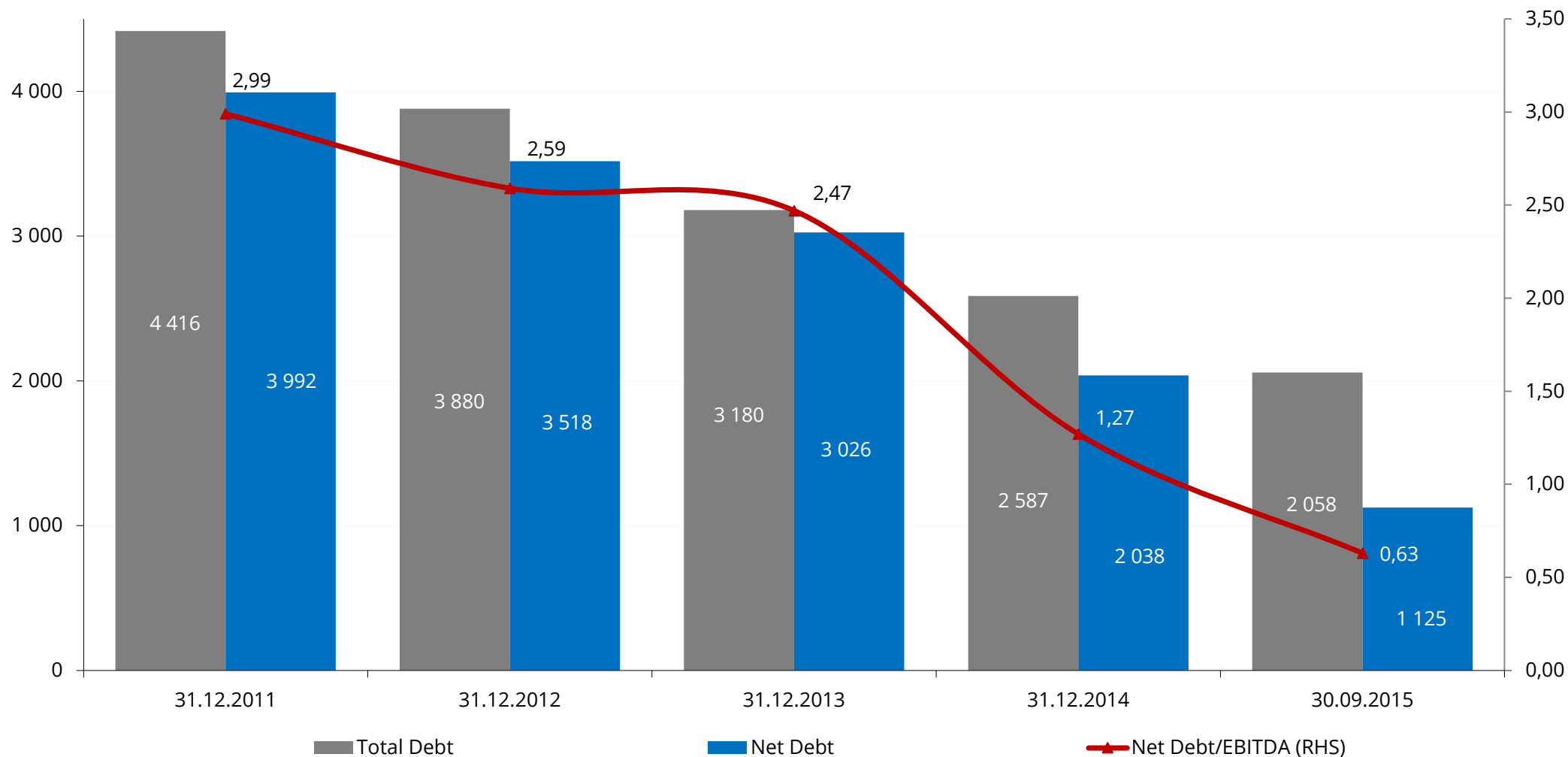


High level of FCF generation, mln USD





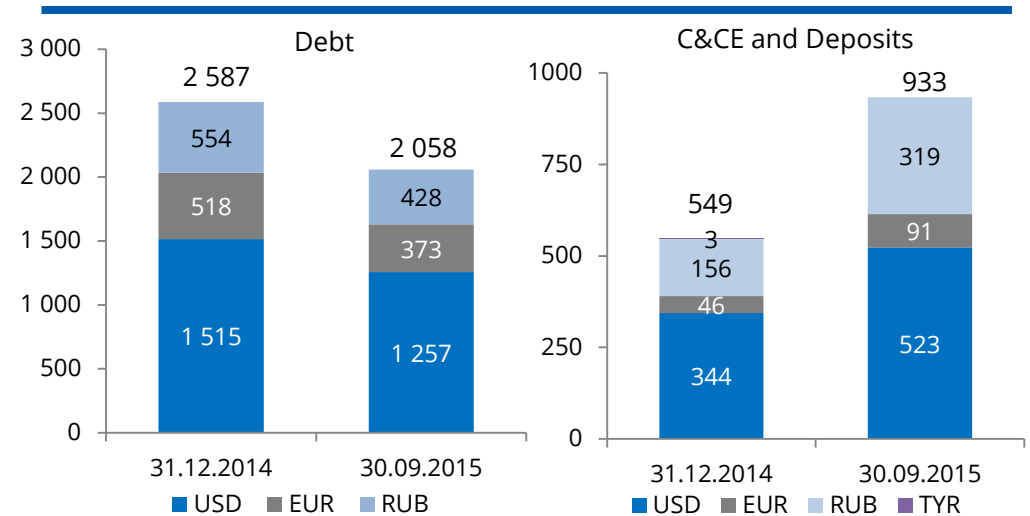
- MMK Group's net debt as of the end of Q3 2015 decreased to USD 1,125 mln, down by USD 913 mln compared to 31.12.2014.
- At the end of 9M 2015, net debt / EBITDA decreased to x0.63, which the Company's management sees as a comfortable level, but somewhat higher than the debt load level of key peers.
- By the end of 2015, the Company plans to further decrease debt load by using its cash funds and cash flow from operations.



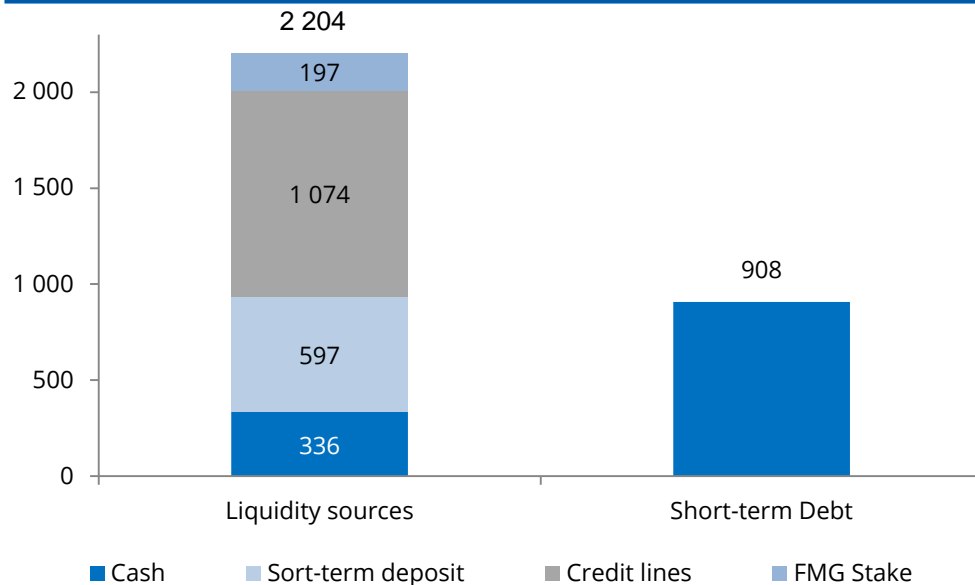


- Reduction in debt load remains the priority task for the Company's management.
- The share of debt which is denominated in foreign currencies (USD+EUR) amounted to approx. 79% as of 30.09.2015.
- The volume of cash funds and short-term deposits in the MMK Group's balance sheet (USD 933 mln) fully covers the short-term debt of MMK Group.
- The debt maturity schedule does not presume any significant onetime payments.

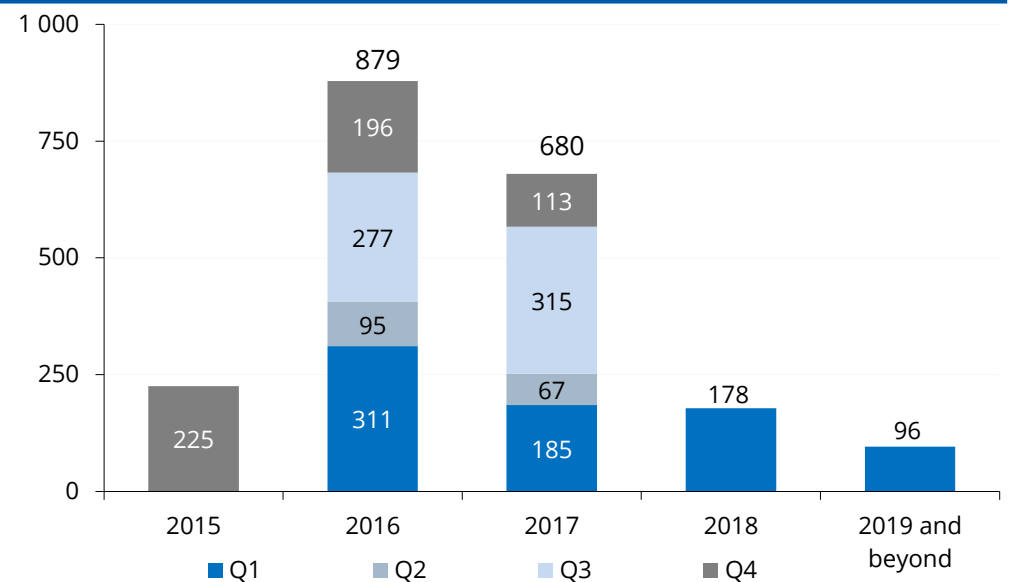
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD



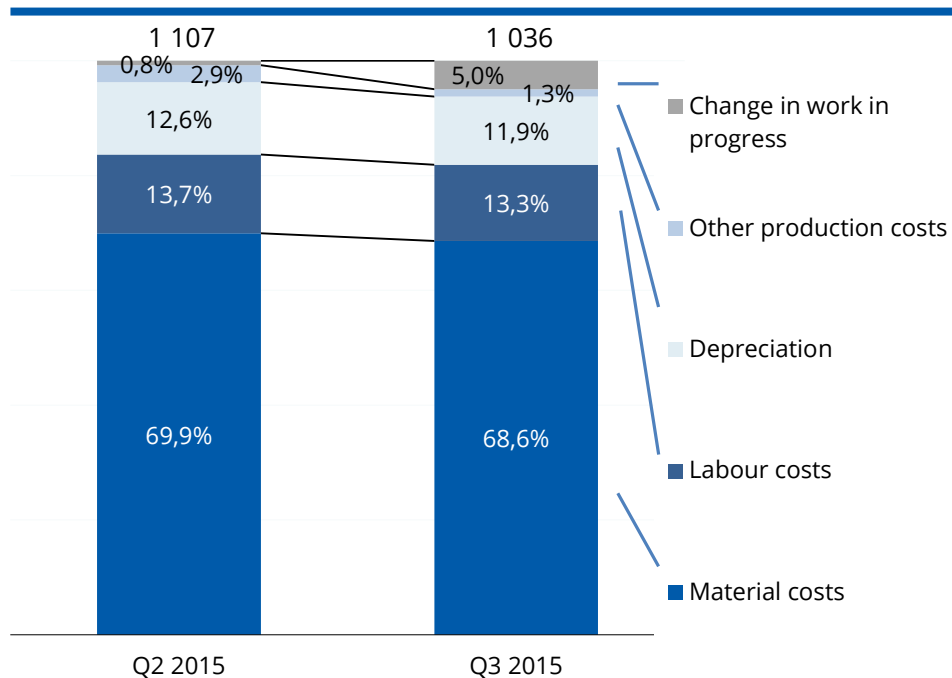


- In Q3 2015, the share of metal scrap (due to increase in output volume and high capacity utilisation of EAFs) increased in the structure of OJSC MMK's material costs. The share of coal decreased due to growth in efficiency of blast-furnace production following completion of repairs at blast-furnace No.8.
- The 7.0% decrease in operating costs in Q3 2015 q-o-q was due to the rouble weakening and cost-optimisation efforts.

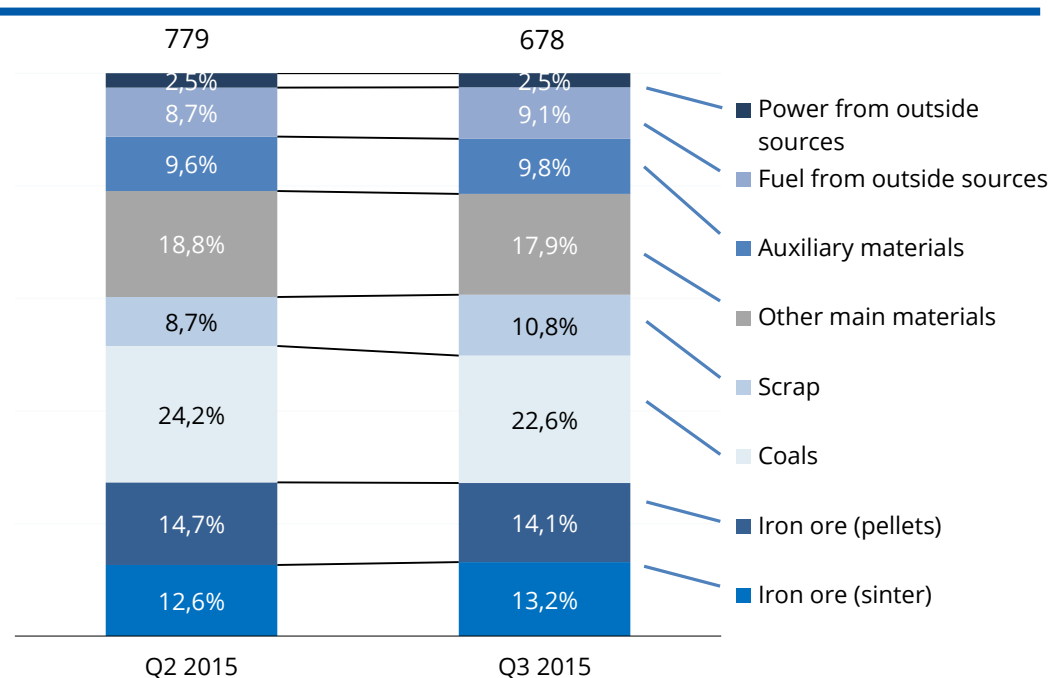
MMK Group operating costs, mln USD

	Q3 15	Q2 15	+/-	%
Cost of sales	1,036	1,107	-71	-6.4%
Selling expenses	111	131	-11	-15.3%
G&A	51	56	-5	-8.9%
Other operating expenses	8	3	5	166.7%
Total operating expenses	1,206	1,297	-82	-7.0%

Cost of sales, mln USD



OJSC MMK material costs, USD/t





- In early Q4 2015, the Company is seeing seasonal decrease in demand for its products, which will affect the Q4 sales.
- The Company's financial results in Q4 2015 will come under pressure from the continued decrease in global steel prices.



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