



IFRS financial statements for Q2 and H1 2017

7 August 2017

Q2 2017 financial results

Revenue	USD 1,926 mln	●	up 16.0% on Q1 2017
Cost of sales	USD 1,389 mln	●	up 18.6% on Q1 2017
EBITDA	USD 455 mln	●	up 0.7% on Q1 2017
EBITDA margin	23.6%	●	down 3.6 p.p. on Q1 2017
Net profit	USD 297 mln	●	up 23.2% on Q1 2017
Cash-cost of slab	USD 290 per tonne	●	down 3.7% on Q1 2017
Free cash flow (FCF)	USD 203 mln	●	up 13.5 times on Q1 2017
CAPEX	USD 163 mln		up 34.7% on Q1 2017

H1 2017 financial results

Revenue	USD 3,586mln	●	up 37.8% on H1 2016
Cost of sales	USD 2,560mln	●	up 41.1% on H1 2016
EBITDA*	USD 907 mln	●	up 29.2% on H1 2016
EBITDA margin	25.3%	●	down 1.6 p.p. on H1 2016
Net profit	USD 538 mln	●	up 10.7% on H1 2016
Free cash flow (FCF)	USD 218 mln	●	down 33.7% on H1 2016
CAPEX	USD 284 mln		up 71.1% on H1 2016

* Adjusted to the effect from Fortescue Metals Group (FMG) stake sale

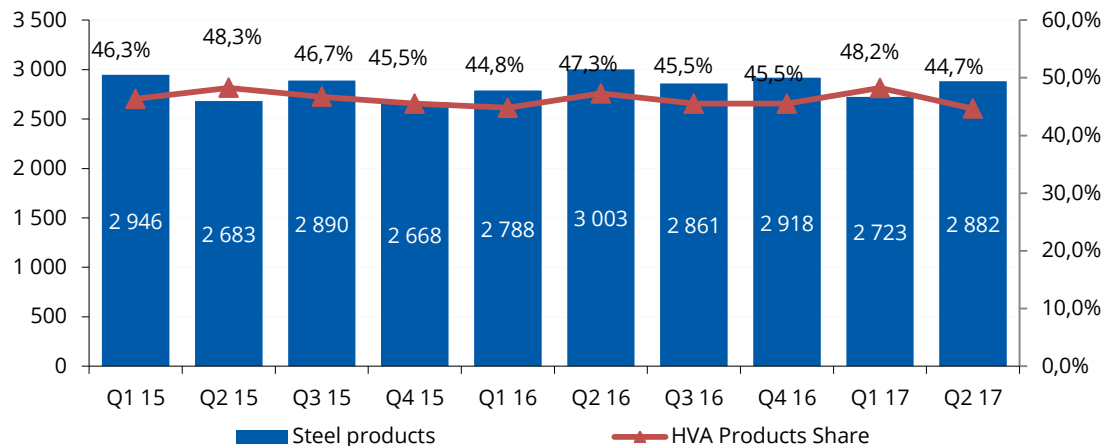
Key production indicators, ths tonnes

	Q2'17	Q1'17	%	H1'17	H1'16	%
Pig iron	2,578	2,372	8.7%	4,950	4,859	1.9%
Crude steel	3,182	3,066	3.8%	6,248	6,208	0.6%
MMK	3,182	3,066	3.8%	6,248	6,208	0.6%
Finished products incl.	2,882	2,723	5.9%	5,605	5,791	-3.2%
MMK	2,780	2,675	4.0%	5,455	5,644	-3.4%
MMK-Metiz*	111	104	6.9%	215	199	7.9%
MMK Metalurji*	253	210	20.7%	463	415	11.4%
HVA products	1,287	1,313	-1.9%	2,600	2,669	-2.6%
Coking coal concentrate	699	609	14.8%	1,308	1,423	-8.1%

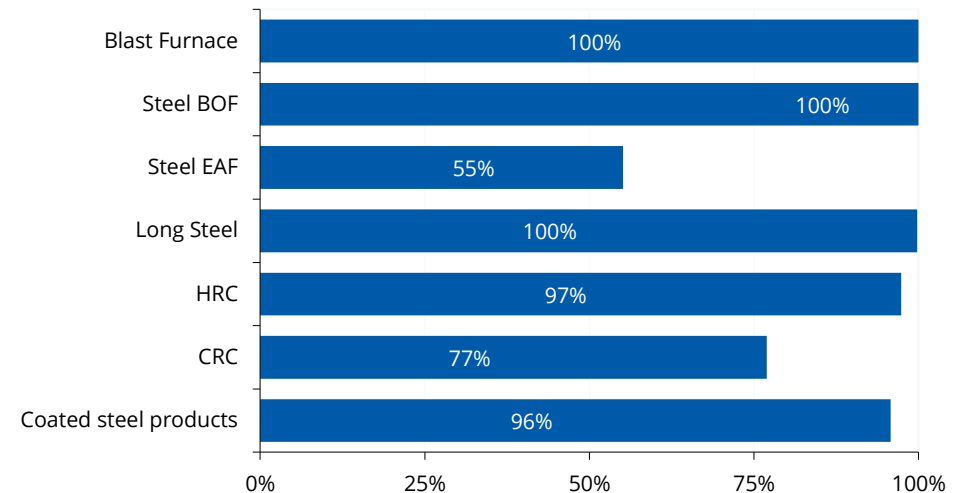
- MMK Group's finished steel products output in Q2 2017 grew 5.9% on Q1 2017.
- In Q2 2017, sales volumes of HVA products fell slightly. As a result, total volume of such sales was 1.287 mln tonnes (down 1.9% q-o-q), the share of HVA products in total output volume was 44.7%.
- Total steelmaking capacity utilization rate at Magnitogorsk in Q2 2017 exceeded 90%.

* - including made from MMK steel

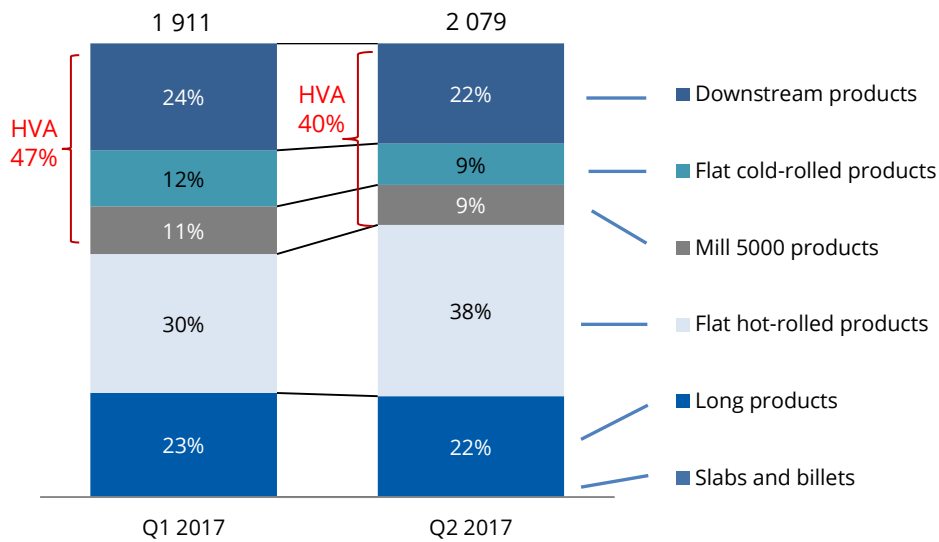
MMK Group finished products dynamics, ths tonnes



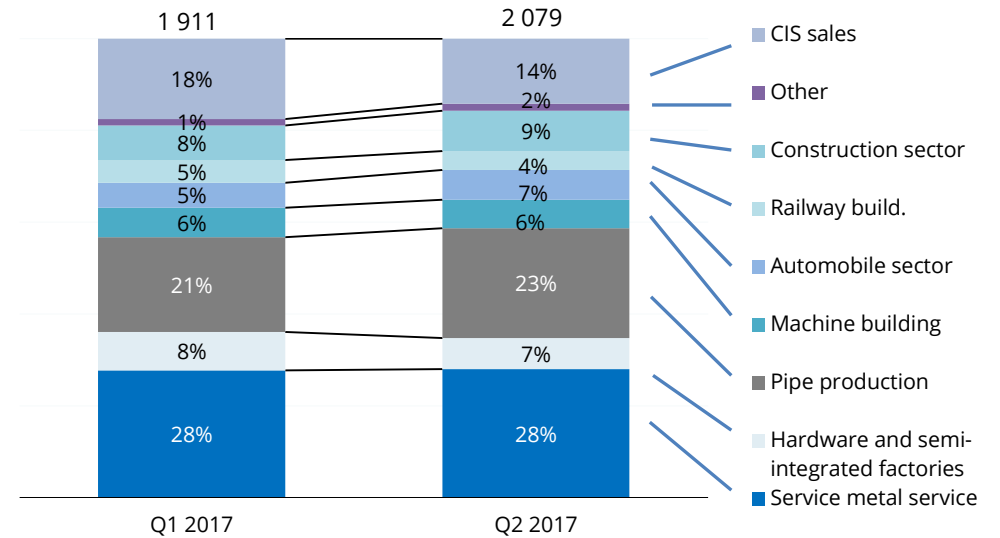
Key capacities utilization rates, Q2 2017, %



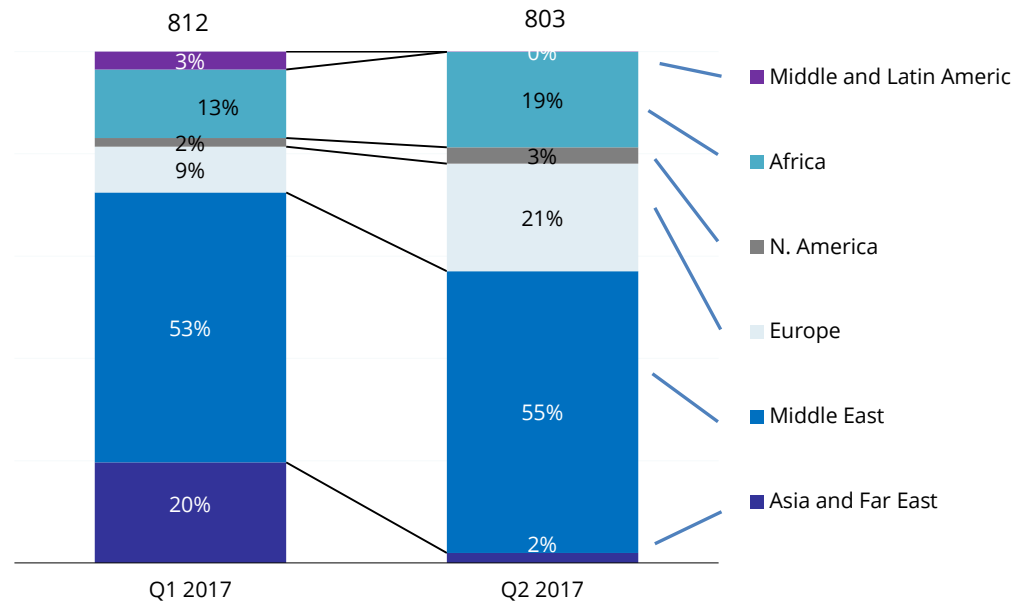
Russian and CIS market sales, ths tonnes



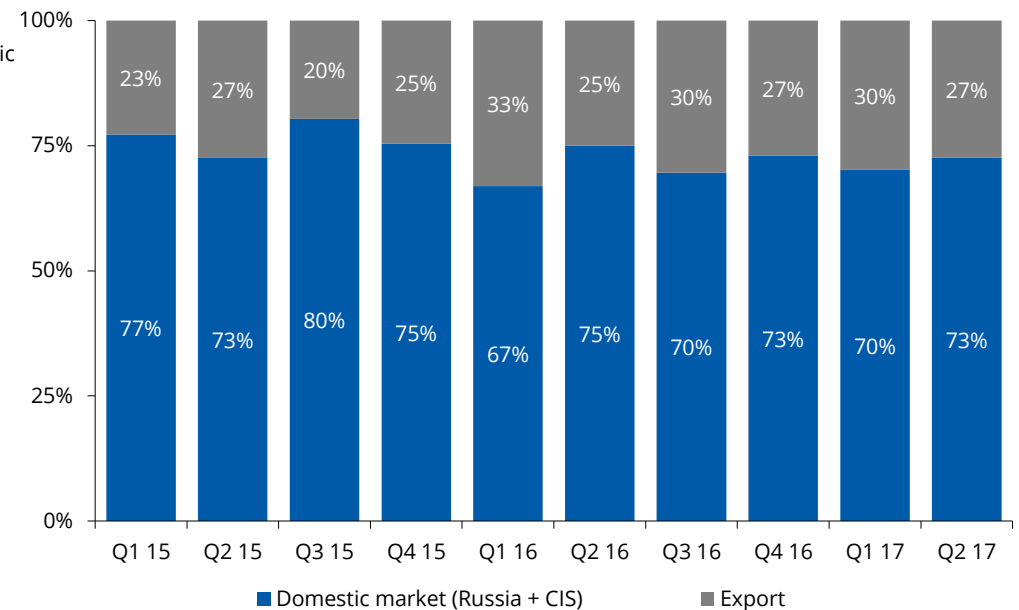
Russia and CIS market sales by sector, ths tonnes



International market sales by region, ths tonnes

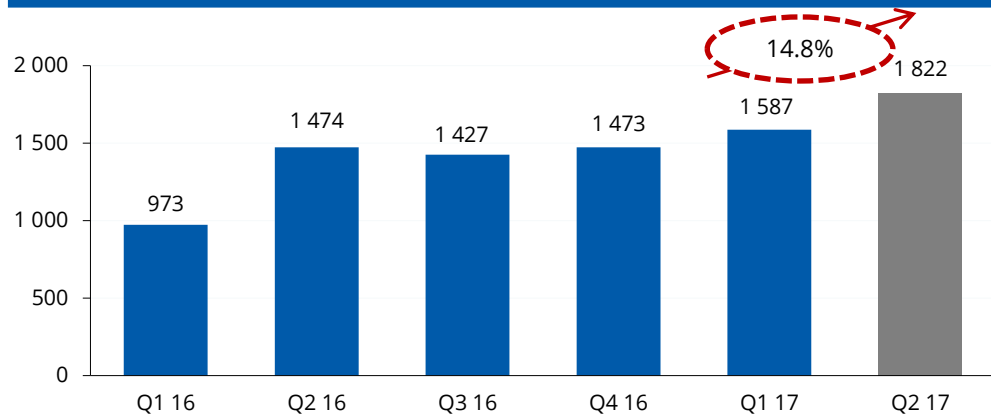


Sales share by market, ths tonnes

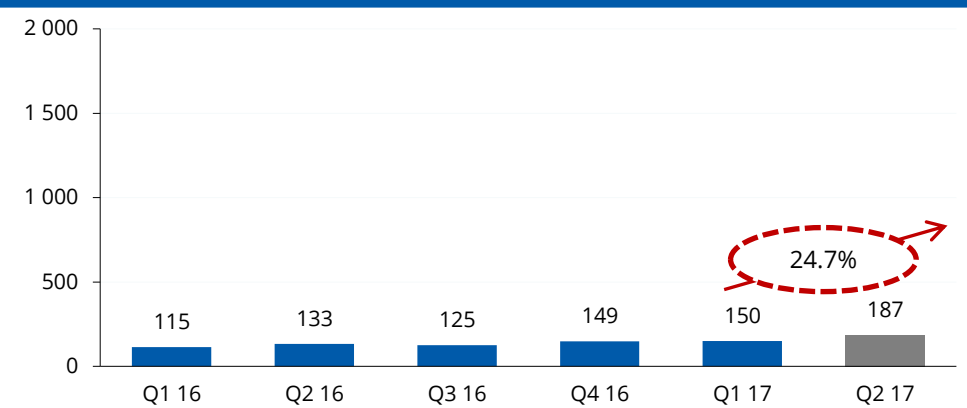


- Revenue for Q2 2017 amounted to USD 1,926 mln, up 16.0% on Q1 2017. This was primarily due to the growth in finished products sales, stronger rouble to US dollar, and changes in finished products stocks in traders' warehouses.

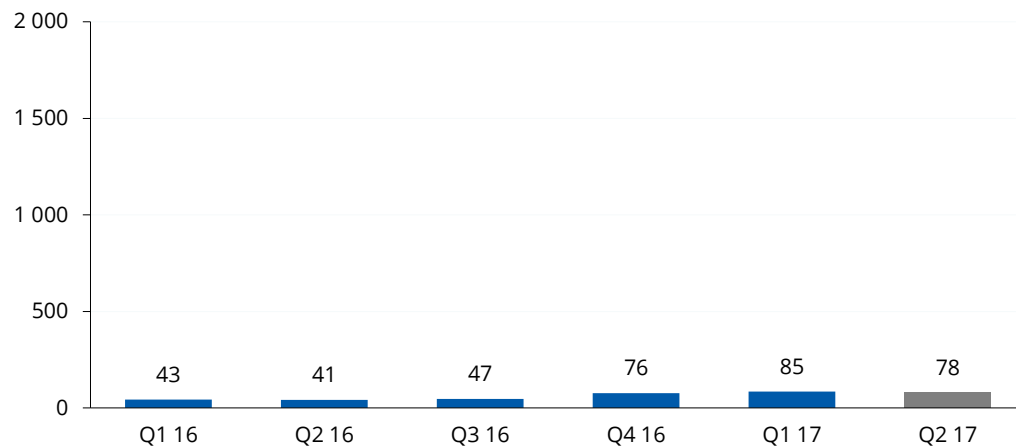
Steel segment revenue (Russia), mln USD



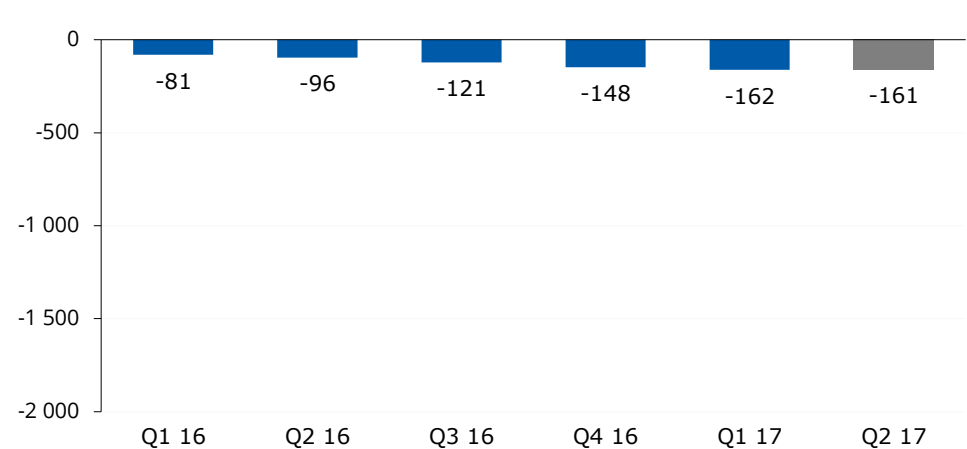
Steel segment revenue (Turkey), mln USD



Coal segment revenue, mln USD

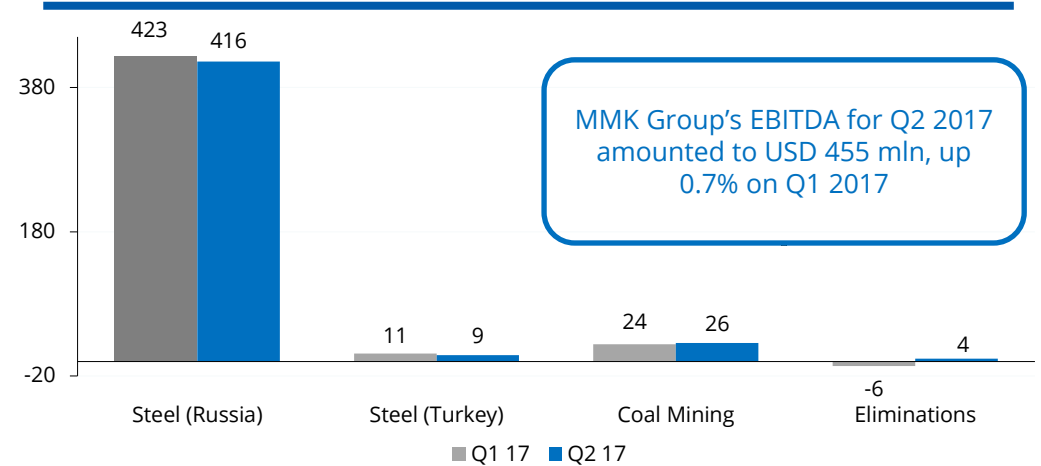


Consolidation, mln USD

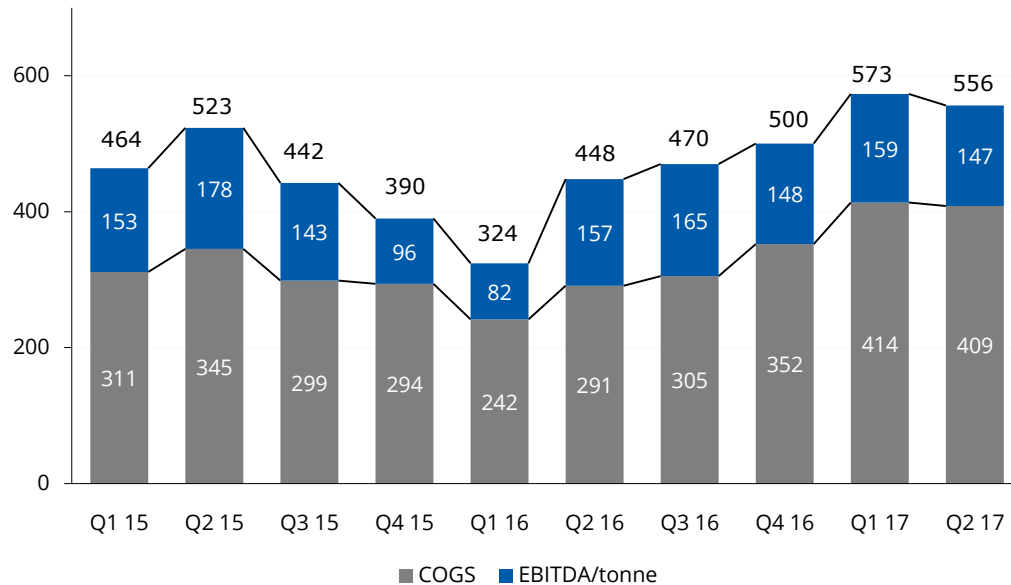


- Average sales price in Q2 2017 decreased q-o-q due to correction in global steel prices and the domestic market prices.
- EBITDA for the Russian steel segment in H1 2017 grew 30.1% y-o-y. This was mainly due to an increase in the average sales price by 47.1% and higher share of HVA products amid an insignificant decrease in finished product sales volumes.
- EBITDA for the coal segment in H1 2017 more than doubled y-o-y and amounted to USD 50 mln. This growth was due to a significant increase in coking coal prices on the global markets.

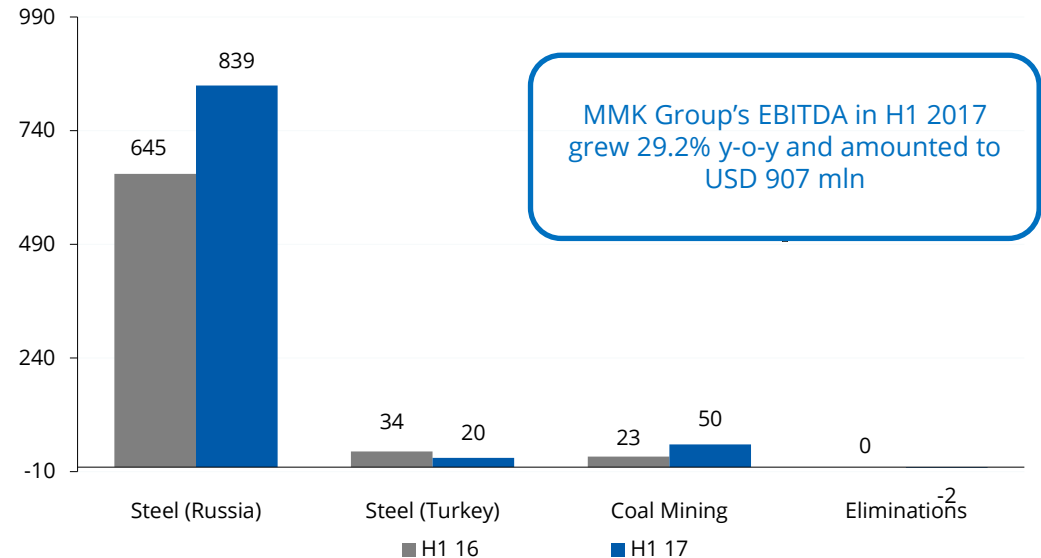
Quarterly EBITDA dynamics, mln USD



EBITDA/t vs metal sale price, USD/t



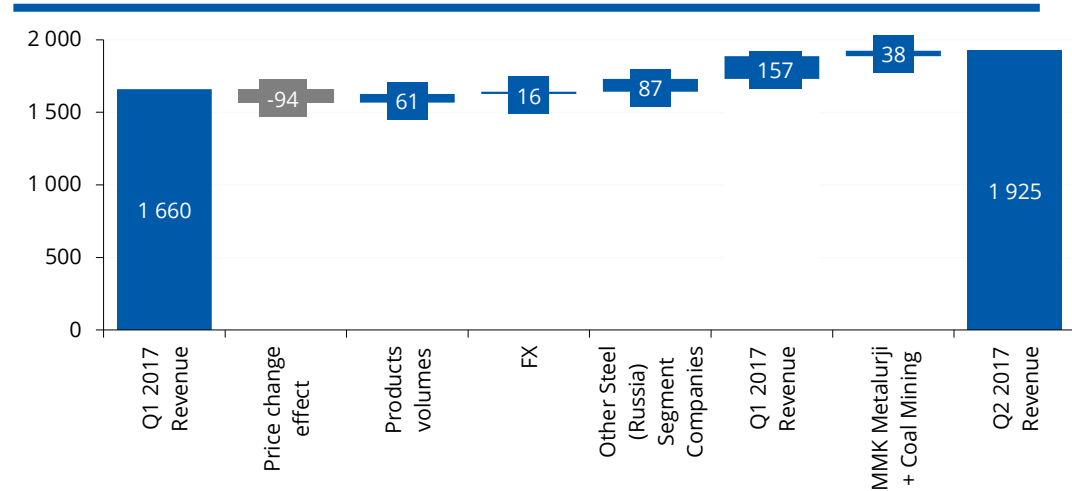
Annual EBITDA* dynamics, mln USD



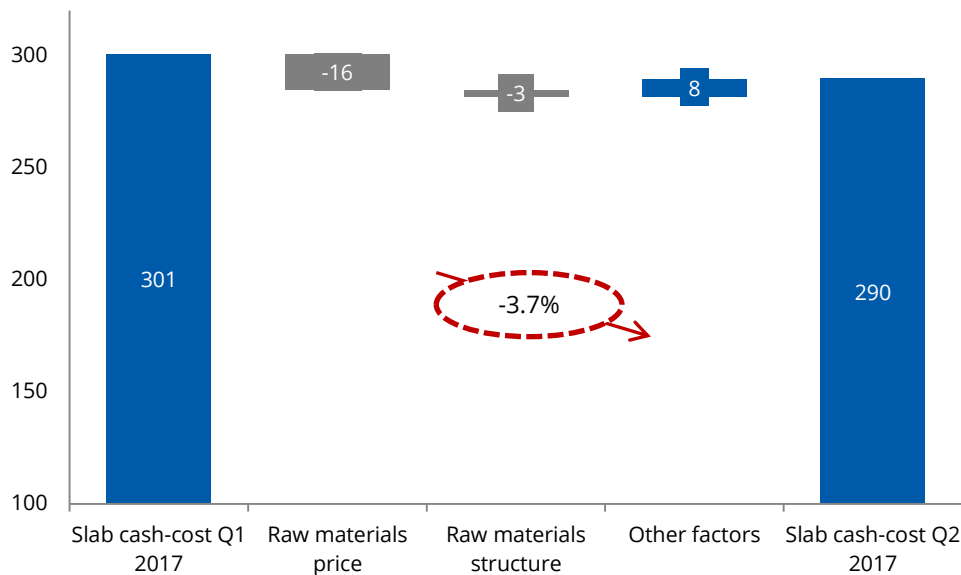
* Adjusted to the effect from FMG stake sale

- The main factors that impacted revenue in Q2 2017 were lower prices for steel, higher sales volumes and decrease of stocks held by traders which are a part of MMK Group.
- In Q2 2017, the Company's profit amounted to USD 297 mln, up 23.2% q-o-q.
- Cash cost of slab in Q2 2017 declined USD 11 per tonne, or 3.7% q-o-q. The key reason for the decline (USD 16 per tonne) was lower prices for key raw materials.

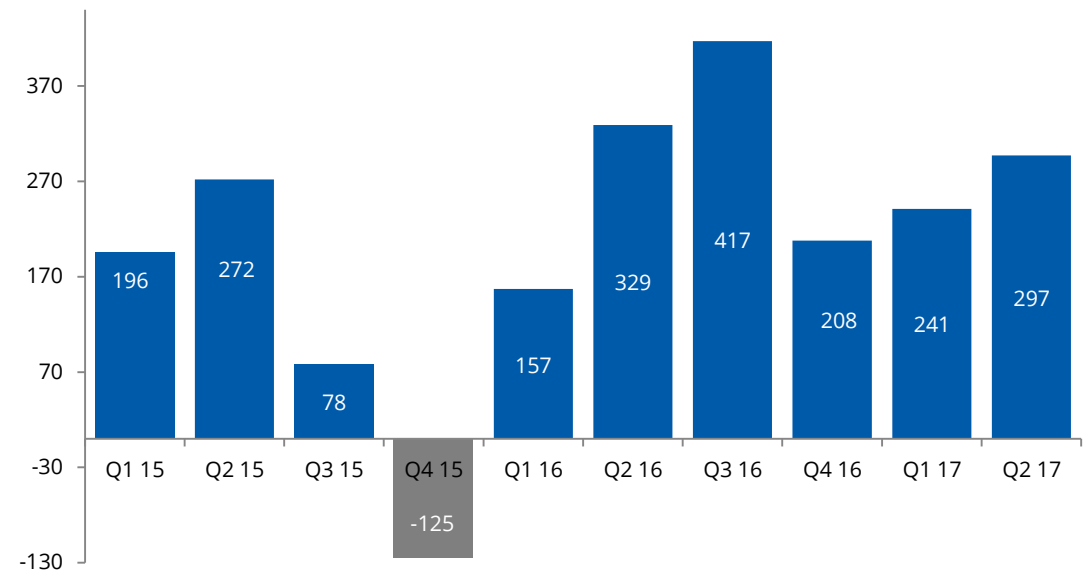
Analysis of revenue, Q2 2017 vs Q1 2017, mln USD



Cash-cost of slab performance, USD/t

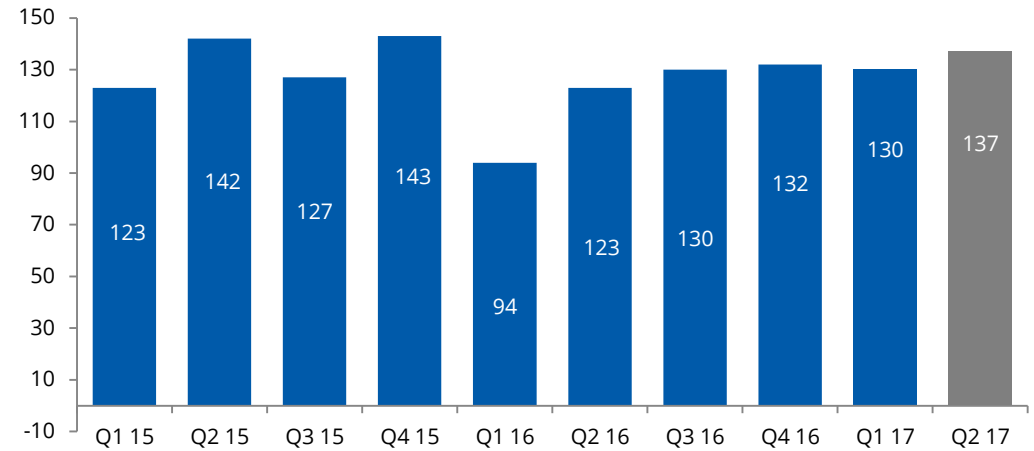


Net profit, mln USD

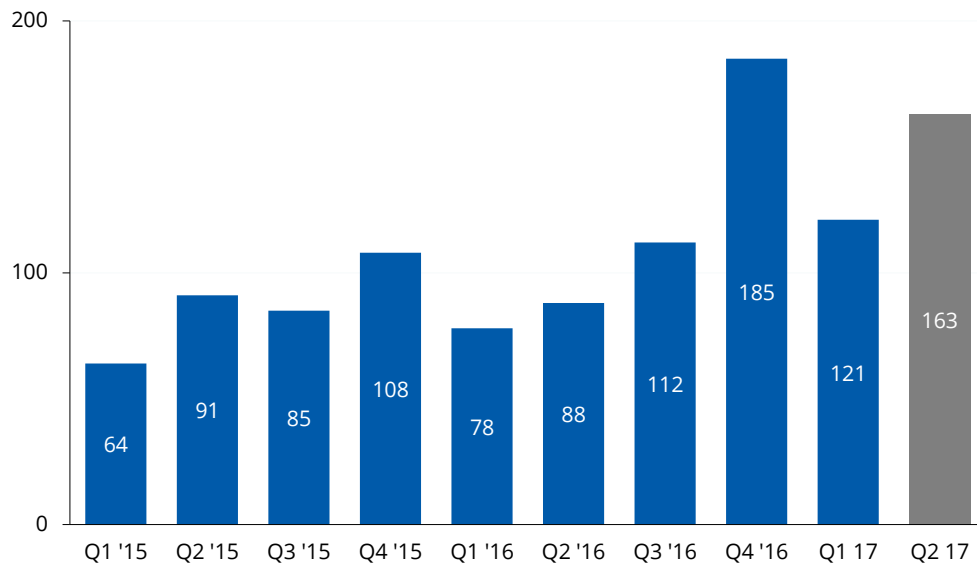


- In Q2 2017, MMK Group CAPEX amounted to USD 163 mln. The growth on the previous quarter is in line with the investment projects schedule and is in part connected to the stronger rouble rate.
- In 2017, CAPEX is expected to amount to RUB 38-39 bln. Since the investments are mainly made in roubles, CAPEX in US dollar terms will be affected by high FX rate volatility.

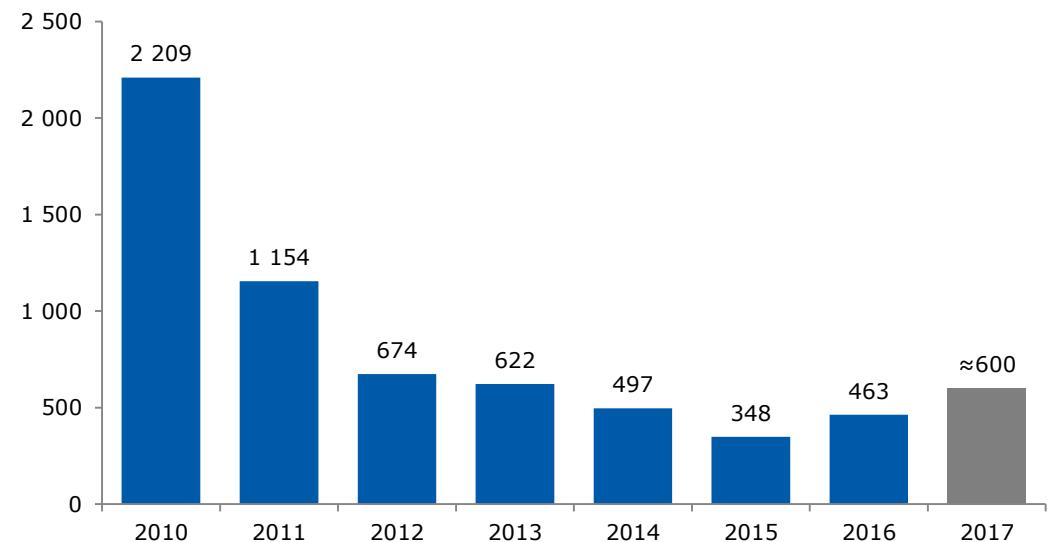
Depreciation, mln USD



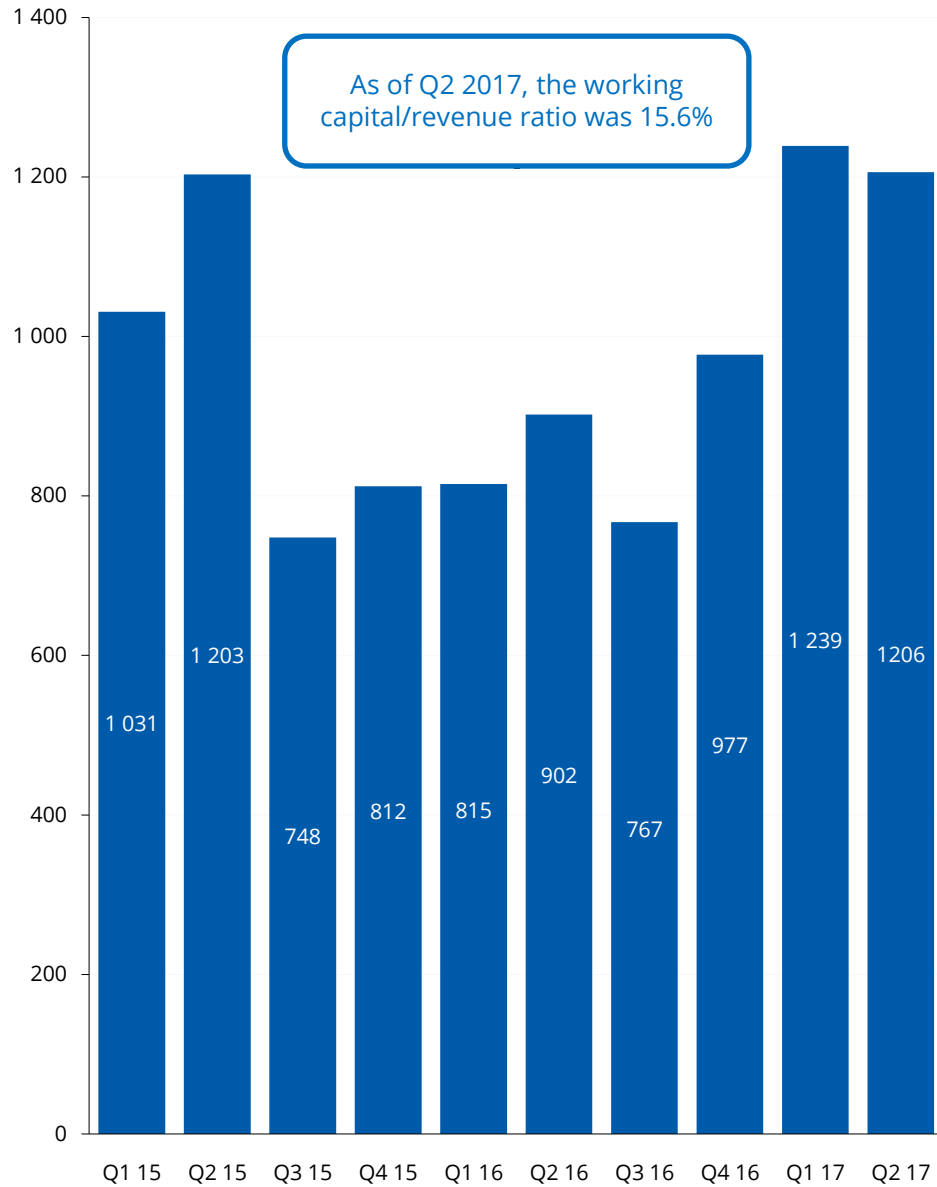
Quarterly CAPEX, mln USD



Lower CAPEX following the completion of investment cycle, mln USD

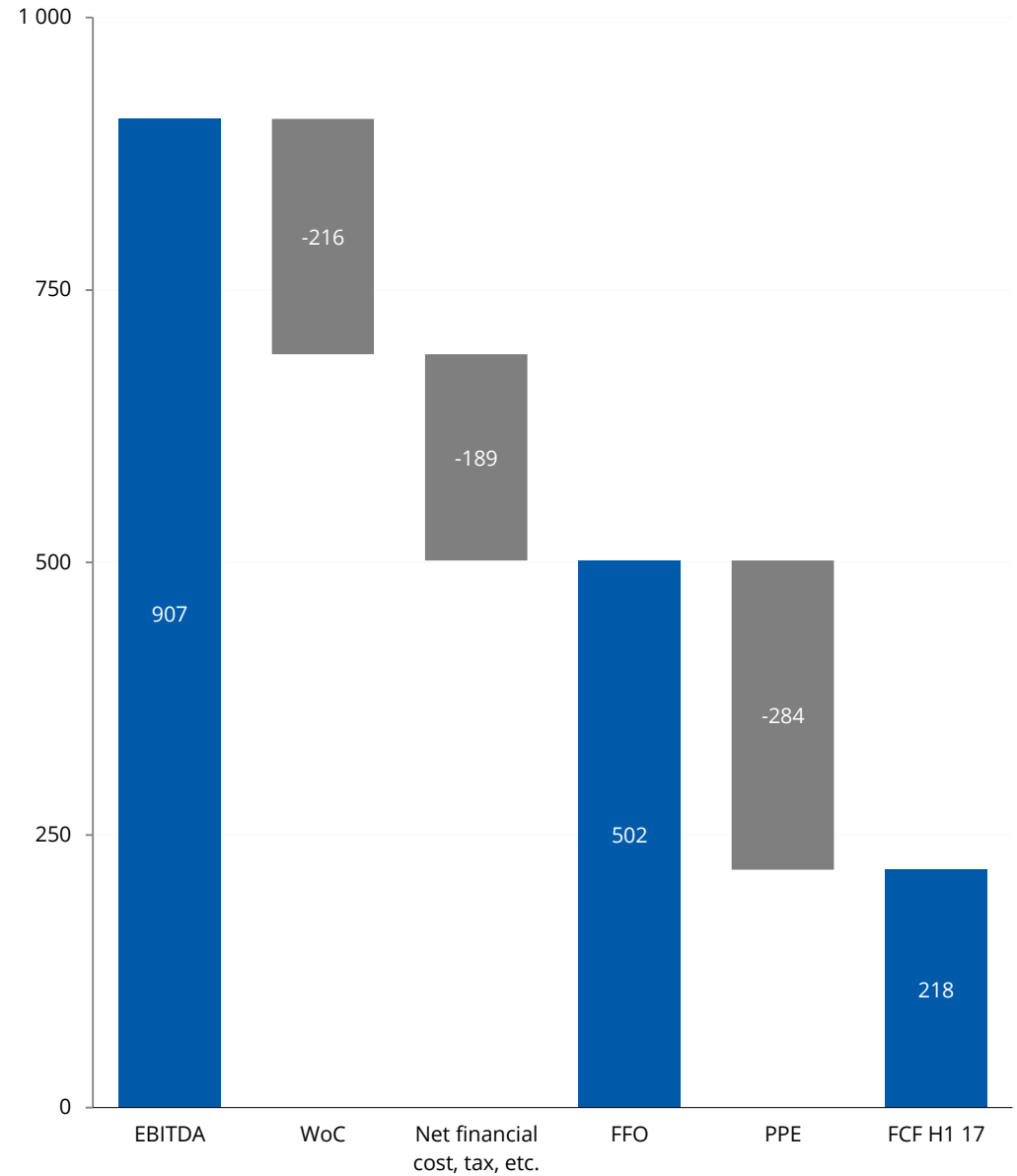


Net working capital, mln USD



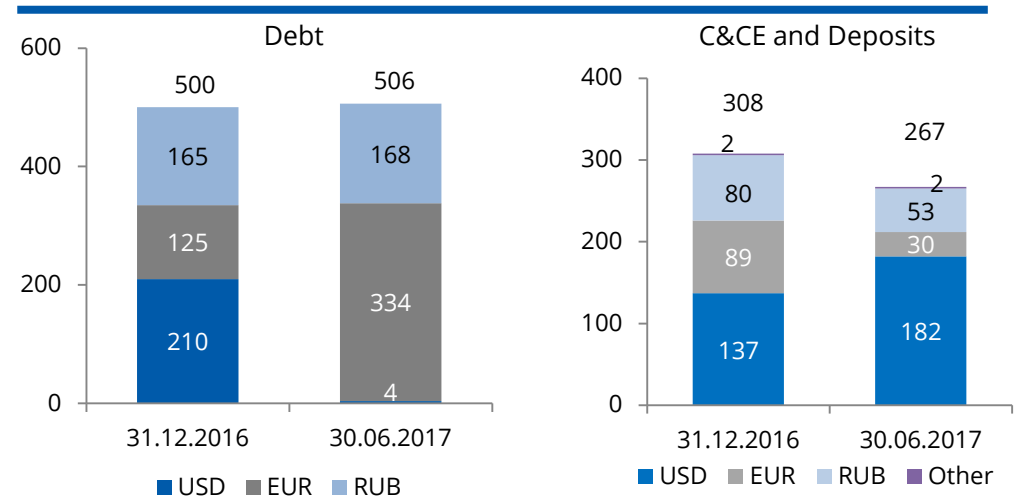
Source: MMK

Free Cash Flow (FCF), mln USD

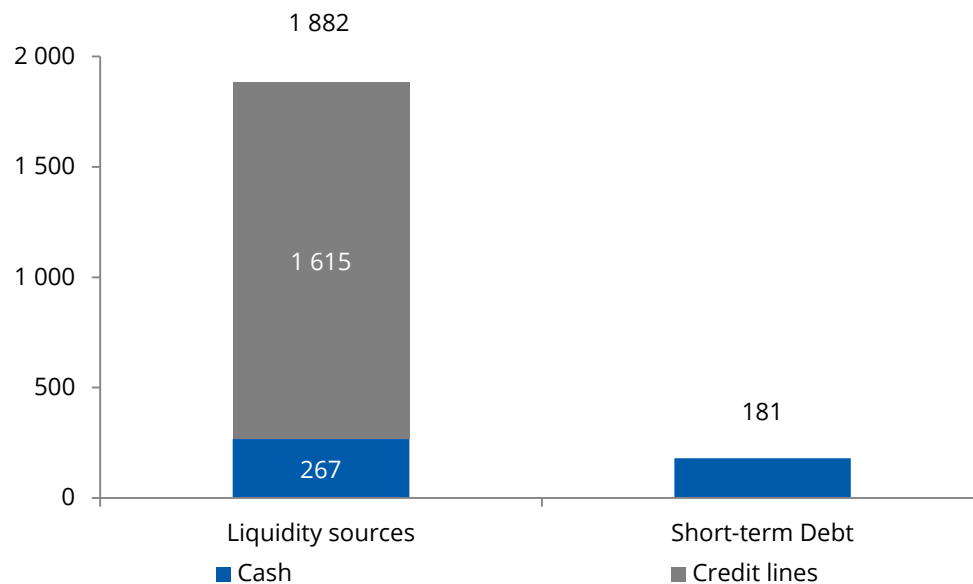


- Net debt of MMK Group in Q2 2017 was USD 239 mln, with Net debt / EBITDA ratio of 0.12x.
- The share of debt which is denominated in foreign currencies (USD, EUR) as of 30.06.2017 amounted to approx. 67%.
- The volume of cash funds and short-term deposits on MMK Group's balance sheet (USD 267 mln) fully covers MMK Group's short-term debt.
- MMK Group's debt maturity schedule does not presume any significant one-off payments.

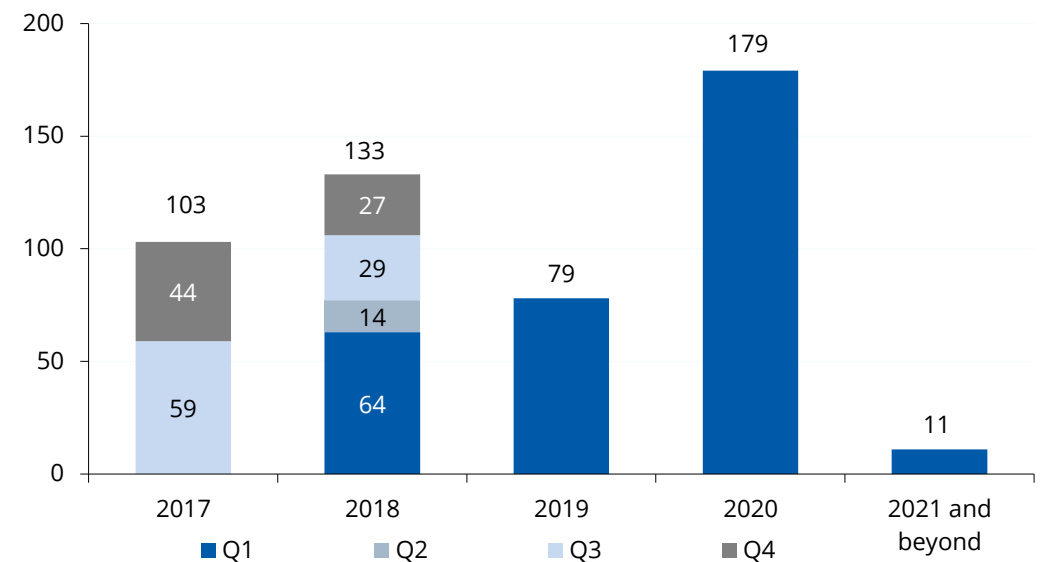
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD

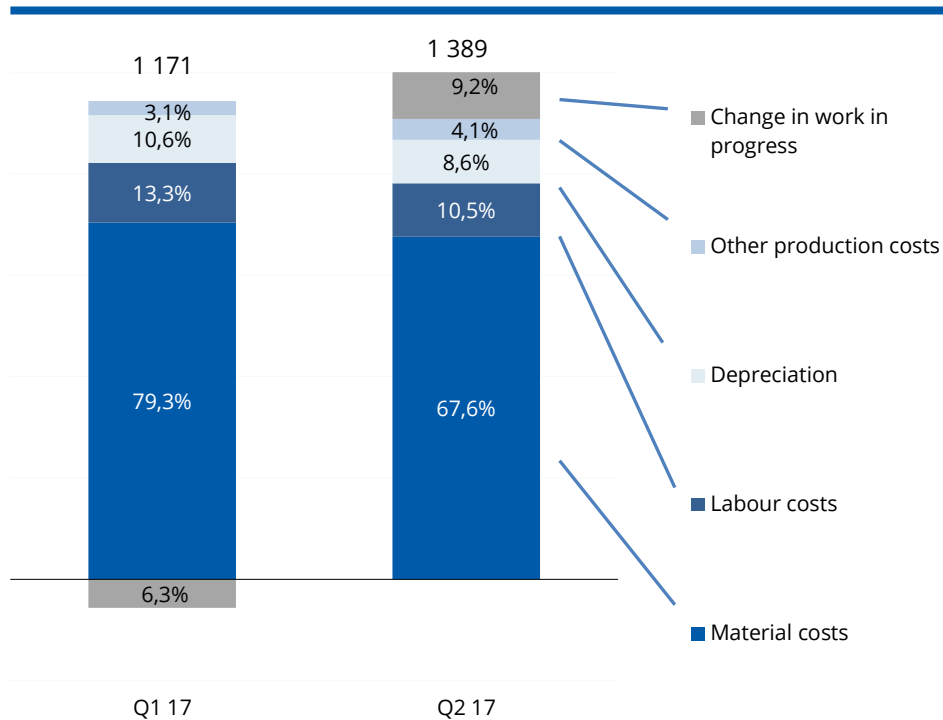


- In Q2 2017, the share of scrap in MMK’s material costs decreased due to the decreased utilization level for the electric arc furnaces.
- At the same time, the share of iron ore increased due to the conclusion of planned repair works to blast furnace No.10 in Q1 and it reaching full capacity.
- Changes in remaining stock of finished products in Q2 is related to a reduction in traders’ warehouse stocks against increased demand for metal products.

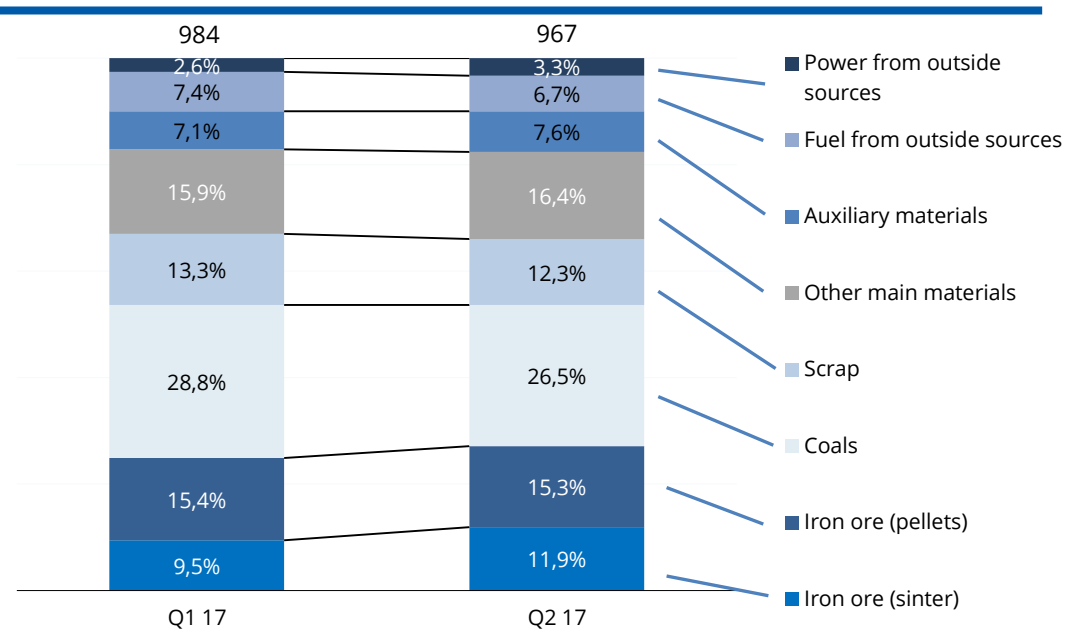
MMK Group operating costs, mln USD

	Q2 '17	Q1 '17	+/-	%
Cost of sales	1,389	1,171	218	18.6%
Selling expenses	154	115	39	33.9%
General and Administrative Expenses	66	57	9	15.8%
Other operational expenses	18	-2	20	-
Total operating costs	1,627	1,341	286	21.3%

Cost of sales, mln USD



MMK material costs, mln USD



- Currently, the Company's management sees a seasonal uptick on the domestic market, which means an increase in sales of finished products in Q3 2017 can be expected.
- It is anticipated that the increase in steel price seen since July 2017 in the Company's main export markets will support domestic sales prices in Q3 2017.

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