MAGNITOGORSK IRON & STEEL WORKS MAGNITOGORSK IRON & STEEL WORKS MAGNITOGORSK IRON & STEEL WORKS
DISCLAIMER

THIS PRESENTATION IS FOR INFORMATION ONLY AND IS CONFIDENTIAL. NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO FROM THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, THE RUSSIAN FEDERATION OR ANY JURISDICTION WHERE SUCH RELEASE, PUBLICATION OR DISTRIBUTION IS UNLAWFUL. THIS PRESENTATION DOES NOT, AND IS NOT INTENDED TO, 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 HERIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS PRESENTATION IS CONFIDENTIAL AND IS BEING PROVIDED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED, RETRANSMITTED, FORWARDED, FURTHER DISTRIBUTED TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, BY ANY MEDIUM OR IN ANY FORM FOR ANY PURPOSE AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON (AS DEFINED IN THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR TO ANY U.S. ADDRESS OR TO ANY PERSON AND/OR IN ANY JURISDICTION IN WHICH IT WOULD BE UNLAWFUL TO DO SO. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH SUCH LIMITATIONS MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS PRESENTATION IS ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA THAT HAVE IMPLEMENTED THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC, AS AMENDED) WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE IN PARTICULAR, IN THE UNITED KINGDOM, THIS PRESENTATION IS FOR DISTRIBUTION ONLY TO AND DIRECTED ONLY AT (I) INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") OR (II) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FAILING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (ALL SUCH PERSONS IN (I)-(II) ABOVE BEING "RELEVANT PERSONS"). BY ACCEPTANCE OF THIS INFORMATION THE RECIPIENT HEREOF CONFIRMS THAT HE OR SHE IS A RELEVANT PERSON.

THE INFORMATION IN THIS PRESENTATION HAS NOT BEEN INDEPENDENTLY VERIFIED. THE OPINIONS PRESENTED HEREIN ARE BASED ON GENERAL INFORMATION GATHERED AT THE TIME OF WRITING AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. THE COMPANY RELIES ON INFORMATION OBTAINED FROM SOURCES BELIEVED TO BE RELIABLE BUT DOES NOT GUARANTEE ITS ACCURACY OR COMPLETENESS.

THE INFORMATION CONTAINED IN THIS PRESENTATION IS SUBJECT TO VERIFICATION, COMPLETION AND MAY BE SIGNIFICANTLY CHANGED. NONE OF THE COMPANY OR ANY OTHER PERSON IS LIABLE TO UPDATE OR MAINTAIN TOPICALLY THE INFORMATION CONTAINED IN THIS PRESENTATION OR TO PROVIDE THE RECIPIENT WITH ACCESS TO ANY ADDITIONAL INFORMATION OR TO CORRECT ANY INACCURACIES IN ANY SUCH INFORMATION WHICH MAY BECOME APPARENT.

THIS PRESENTATION CONTAINS STATEMENTS ABOUT FUTURE EVENTS AND EXPECTATIONS THAT ARE FORWARD-LOOKING STATEMENTS, BASED ON CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS. THESE STATEMENTS TYPICALLY CONTAIN WORDS SUCH AS "BELIEVES", "INTENDS", "EXPECTS" AND "ANTICIPATES" AND WORDS OF SIMILAR IMPORT. ANY STATEMENT IN THESE MATERIALS THAT IS NOT A STATEMENT OF HISTORICAL FACT IS A FORWARD-LOOKING STATEMENT THAT INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE OUR ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NONE OF THE FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS IN THIS PRESENTATION SHOULD BE TAKEN AS FORECASTS OR PROMISES NOR SHOULD THEY BE TAKEN AS IMPLYING ANY INDICATION, ASSURANCE OR GUARANTEE THAT THE ASSUMPTIONS ON WHICH SUCH FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS HAVE BEEN PREPARED ARE CORRECT OR EXHAUSTIVE OR, IN THE CASE OF THE ASSUMPTIONS, FULLY STATED IN THE PRESENTATION. NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES ANY OBLIGATIONS TO UPDATE THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN TO REFLECT ACTUAL RESULTS, CHANGES IN ASSUMPTIONS OR CHANGES IN FACTORS AFFECTING THESE STATEMENTS.

BY ACCEPTING OR ACCESSING THIS PRESENTATION OR ATTENDING ANY PRESENTATION OR DELIVERY OF THIS PRESENTATION YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS AND CONDITIONS AND, IN PARTICULAR, WILL BE TAKEN TO HAVE REPRESENTED, WARRANTED AND UNDERTAKEN THAT YOU HAVE READ AND AGREE TO COMPLY WITH THE ABOVE LIMITATIONS.
# TABLE OF CONTENTS

1. MMK at a Glance .................................................. 3

2. Business Overview .............................................. 8

3. Strategic overview ............................................... 12

4. Financial overview ............................................. 20

5. Appendices ....................................................... 24
KEY CREDIT HIGHLIGHTS

- **Leading position in the Russian steel market**
  - MMK is the second largest steel producer in Russia by volume of production
  - Moreover, MMK not only managed to maintain its share but also grow it over the recent years

- **The largest single sight facility in Russia**
  - The large size of Magnitogorsk site allows the company to exploit economies of scale and reduce costs in areas, such as logistics through lower transportation costs

- **Dominant portion of sales to domestic market**
  - MMK sales (by volume) to fast growing Russian and CIS market amount to 82% of total sales (as of FY2014)
  - MMK benefits from premium pricing with respect to domestic sales - 132 USD/tonne in FY2014

- **Competitive cost position**
  - Slab costs are among the lowest in the industry – USD243 per tonne (as of Q4 2014)
  - MMK benefits from long-term iron-ore contracts

- **Diversified sales mix**
  - Low customer concentration
  - Top ten customers account for only 1/4th of MMK's total shipments*

- **Leader among peers**
  - Strong positioning among peers is reflected by well-invested, best rolling facilities as well as the highest portion of HVA products

- **World class corporate governance**
  - 5 out of 10 directors on Board are independent in compliance with the UK Corporate Governance code

*Note: Top 10 customers are based on Total MMK shipments, i.e. domestic and exports
MMK – GLOBAL PLAYER WITH STRONG RUSSIAN PRESENCE

Benefits from central location with proximity to local and export markets

Profit
Covers 100% of MMK scrap needs.

MMK Metalurji
2.3 mln tpy capacity.
Steel making complex and two service centers.
690 th tonnes of steel products output in 2014

MMK (2014)
Leading producer of rolled products in Russia
13.03 mln tonnes of steel
11.65 mln tonnes of finished products in Russia

MMK Group consist of 3 main segments
Russian Steel Segment
Turkish Steel Segment
Coal Segments

Belon
3.7 mln tonnes of coking coal mined in 2014. Covered 37% of MMK needs in coal concentrate in 2014

MMK Metiz
One of Russia’s largest hardware producers.
508 th. tonnes produced in 2014.

Fortescue MG
MMK owns 5% of Fortescue Metals Group, one of Australia’s largest iron-ore producers.

Source: MMK
OJSC MMK DOMINANT SHARE OF SALES TO EMERGING MARKET HIGH GROWTH COUNTRIES AND RUSSIA IN PARTICULAR

Regional Sales Structure based on Volumes, 2014

- Russia: 72%
- CIS: 10%
- Middle East: 10%
- Europe: 6%
- Americas: 1%
- Africa: 1%

Total: 11,650 kt

The portion of Russian & CIS sales has been gradually increasing

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>31%</td>
<td>69%</td>
</tr>
<tr>
<td>2011</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>2012</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>2013</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>2014</td>
<td>18%</td>
<td>82%</td>
</tr>
</tbody>
</table>

Note: Domestic price premium is calculated in comparison to export prices

Domestic Price Premium(1) Based on Average Price, USD/tonne

- 2004: 78
- 2005: 162
- 2006: 150
- 2007: 156
- 2008: 225
- 2009: 190
- 2010: 243
- 2011: 231
- 2012: 177
- 2013: 132

Domestic price premium makes Russian market attractive

Source: MMK reports

Source: MMK reports
COMPETITIVE COST POSITION

MMK benefits from relatively low input materials prices

Slab Cash-cost and Raw-material Price, USD/tonne

MMK's Slab Cash-Cost, USD/tonne

Limited vertical integration benefits MMK in the current market

- Limited vertical integration levels in raw materials do not pose a weakness to the company
- Weak raw materials prices in the current market are beneficial to MMK’s profit margins
- MMK holds long-term iron ore off-take contracts with ENRC and Metalloinvest’s subsidiaries until 2017 and 2015 respectively

Self-sufficiency Level, 2014

Source: MMK reports

Source: MMK

Source: MMK
<table>
<thead>
<tr>
<th></th>
<th>TABLE OF CONTENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>MMK at a Glance</td>
<td>3</td>
</tr>
<tr>
<td>2.</td>
<td>Business Overview</td>
<td>8</td>
</tr>
<tr>
<td>3.</td>
<td>Strategic overview</td>
<td>12</td>
</tr>
<tr>
<td>4.</td>
<td>Financial overview</td>
<td>20</td>
</tr>
<tr>
<td>5.</td>
<td>Appendices</td>
<td>24</td>
</tr>
</tbody>
</table>
RUSSIAN STEEL SEGMENT
Main revenue contributor – 92% of Group’s revenue

- All significant assets of the segment are located in Magnitogorsk, Russia
- Magnitogorsk Steel is the major production site:
  - Russia’s second largest integrated plant with more than 14m tonnes of crude steel production capacity
  - Ranks among country’s most competitive producers with a diverse mix and strong focus on flat products
  - Enjoys proximity to some of its biggest customers (Chelyabinsk Pipe) and main supplier (ENRC – 300km away)
  - Includes wide-gauge plate Mill 5000 and cold-rolling rolling Mill 2000 with annealing, pickling and galvanising facilities
- MMK-METIZ Metalware and Sizing Plant (Magnitogorsk)
- The downstream steel processing plants MMK-Profil-Moscow Region and Intercos-IV (Spb Region)
- Trading companies – wide network all over Russia

<table>
<thead>
<tr>
<th>Product</th>
<th>MMK’s share in Russia</th>
<th>Place in Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hot-rolled sheet</td>
<td>36%</td>
<td>1</td>
</tr>
<tr>
<td>incl. thick plate</td>
<td>26%</td>
<td>2</td>
</tr>
<tr>
<td>Cold-rolled sheet</td>
<td>27%</td>
<td>3</td>
</tr>
<tr>
<td>Galvanized flat products</td>
<td>28%</td>
<td>1</td>
</tr>
<tr>
<td>Tin plate</td>
<td>100%</td>
<td>1</td>
</tr>
<tr>
<td>Colour-coated rolled products</td>
<td>25%</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: MMK, Metal Courier

MMK’s Russian steel segment finished products composition, 2014FY

Source: MMK
**TURKISH STEEL SEGMENT**

Poised to become #2 flat steel producer in Turkey

**MMK Metalurji**

- Located at two sites in Turkey: Iskenderun and Istanbul
- Favourable geographic position (growing markets of Turkey and other Middle East countries)
- Good logistics (own sea port and up-to-date production logistics in place)
- Key production site (Iskenderun) – capacity of 2.3 million of crude/finished tons per year
- Production start of operation: 2010
- Finished products: hot-rolled steel, galvanized and color-coated steel
  - Steel-making and manufacturing of hot-rolled products was suspended in November 2012

**MMK Facilities in Turkey**

---

**MMK Metalurji production breakdown, 2014FY**

- **Total**: 690 th. t

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hot-rolled steel</td>
<td>9%</td>
</tr>
<tr>
<td>Color-coated rolled products</td>
<td>36%</td>
</tr>
<tr>
<td>Galvanized flat products</td>
<td>55%</td>
</tr>
<tr>
<td>HVA Products, 91%</td>
<td></td>
</tr>
</tbody>
</table>

**Locations of Key Markets**

- **Europe**
- **Middle East**
- **Africa**

MMK will benefit from the structural shortfall of flat steel in Turkey

---

Source: MMK operational results
COAL SEGMENT

Belon is one of Russia’s largest coal producers

Belon Group comprises coal mining and processing assets

- Located in Belovo, Kemerovo Region, Russian Federation
- Assets include
  - 3 underground mines: Chertinskaya-Koksovaya, Chertinskaya-Yuzhnaya and Kostromovskaya
  - Belovskaya coal washing plants with production capacity of 6.2 mt of coal
- Aggregate output: 3.7 mt of coking coal and 2.9 mt of coal concentrate in 2014
- Covered 37% of Group’s requirements in 2014
- MMK Group holds 95% stake in Belon

Acquisition of Belon

**Acquisition cost** USD 0.543 bn

**Market** Russia

**Profile** Growing producer of high-quality coal

**Capacity, mtpy coking coal** 4

**Rationale** Vertical integration and higher profitability

---

**MMK Coal reserve life vs. operational reserves (as of 2013)**

- **Kostromovskaya**
  - Operational reserves, mt: 17.5
  - Reserves life (RHS), years: >30

- **Chertinskaya-Koksovaya**
  - Operational reserves, mt: 23.4
  - Reserves life (RHS), years: >30

- **Chertinskaya-Yuzhnaya**
  - Operational reserves, mt: 7.9
  - Reserves life (RHS), years: >30

**Source: MMK**

**Integration in Coking Coal**

- **2009**
  - Coking coal production: 3.6
  - Concentrate production: 2.5

- **2010**
  - Coking coal production: 4.2
  - Concentrate production: 3.0

- **2011**
  - Coking coal production: 4.2
  - Concentrate production: 3.2

- **2012**
  - Coking coal production: 4.0
  - Concentrate production: 3.3

- **2013**
  - Coking coal production: 3.6
  - Concentrate production: 2.9

- **2014**
  - Coking coal production: 3.6
  - Concentrate production: 2.9

**Source: MMK**
# TABLE OF CONTENTS

1. MMK at a Glance ........................................... 3

2. Business Overview ....................................... 8

3. Strategic overview ........................................ 12

4. Financial overview ....................................... 20

5. Appendices ................................................. 24
STRATEGIC OBJECTIVES OF MMK GROUP

1. Focus on organic growth
2. Emphasized direct exposure to niche segments
3. Maximising share of domestic sales
4. Maintaining good progress achieved in self-sufficiency
5. Achieving quality balance sheet
1 FOCUS ON ORGANIC GROWTH
...with increasing share of high value added products in MMK production

MMK Group Steel Output Growth, th. tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>MMK</th>
<th>MMK Metalurji</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11,419</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>12,195</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>13,037</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>11,941</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>13,031</td>
<td></td>
</tr>
</tbody>
</table>

Source: MMK

MMK Group Increasing Share of HVA Products, th. tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>MMK Group</th>
<th>HVA products share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10,409</td>
<td>45%</td>
</tr>
<tr>
<td>2011</td>
<td>11,158</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>11,937</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>11,060</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>12,158</td>
<td></td>
</tr>
</tbody>
</table>

Source: MMK

HVA Products

MMK Group Finished Product Output, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Downstream products</th>
<th>Flat cold-rolled products</th>
<th>Flat hot-rolled products</th>
<th>Long products</th>
<th>Slabs and billets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6%</td>
<td>50%</td>
<td>13%</td>
<td>50%</td>
<td>18%</td>
</tr>
<tr>
<td>2011</td>
<td>9%</td>
<td>50%</td>
<td>10%</td>
<td>10%</td>
<td>19%</td>
</tr>
<tr>
<td>2012</td>
<td>10%</td>
<td>45%</td>
<td>11%</td>
<td>11%</td>
<td>23%</td>
</tr>
<tr>
<td>2013</td>
<td>12%</td>
<td>37%</td>
<td>14%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>2014</td>
<td>11%</td>
<td>40%</td>
<td>12%</td>
<td>11%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: MMK

FOCUS ON ORGANIC GROWTH

...with increasing share of high value added products in MMK production

HVA Products

MMK Group Steel Output Growth, th. tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>MMK</th>
<th>MMK Metalurji</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11,419</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>12,195</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>13,037</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>11,941</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>13,031</td>
<td></td>
</tr>
</tbody>
</table>

Source: MMK

MMK Group Increasing Share of HVA Products, th. tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>MMK Group</th>
<th>HVA products share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10,409</td>
<td>45%</td>
</tr>
<tr>
<td>2011</td>
<td>11,158</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>11,937</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>11,060</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>12,158</td>
<td></td>
</tr>
</tbody>
</table>

Source: MMK

HVA Products

MMK Group Finished Product Output, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Downstream products</th>
<th>Flat cold-rolled products</th>
<th>Flat hot-rolled products</th>
<th>Long products</th>
<th>Slabs and billets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6%</td>
<td>50%</td>
<td>13%</td>
<td>50%</td>
<td>18%</td>
</tr>
<tr>
<td>2011</td>
<td>9%</td>
<td>50%</td>
<td>10%</td>
<td>10%</td>
<td>19%</td>
</tr>
<tr>
<td>2012</td>
<td>10%</td>
<td>45%</td>
<td>11%</td>
<td>11%</td>
<td>23%</td>
</tr>
<tr>
<td>2013</td>
<td>12%</td>
<td>37%</td>
<td>14%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>2014</td>
<td>11%</td>
<td>40%</td>
<td>12%</td>
<td>11%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: MMK
**EMPHASIZED DIRECT EXPOSURE TO NICHE SEGMENTS**

**Strong positions in Pipe sector**

### LDP & MDP Demand in Russia, m tonnes

- **2012**: Demand for LDP - 1.8, Demand for MDP - 1.7
- **2013**: Demand for LDP - 1.7, Demand for MDP - 2.6
- **2014**: Demand for LDP - 2.4, Demand for MDP - 2.5
- **2015E**: Demand for LDP - 4.3, Demand for MDP - 4.6
- **2018E**: Demand for LDP - 4.6, Demand for MDP - 4.8

*Source: Metal Expert, Broker reports*

**MMK Share in Supplies to Russian Pipe Industry in 2014**

- **Import**: 9%
- **MMK**: 40%
- **Others**: 51%

*MMK was the biggest supplier to Russian pipe industry in 2014*

### Mill 5000 Production Dynamics, th. tonnes

- **2012**: 799
- **2013**: 843 (increase +9.6%)
- **2014**: 924

*Source: MMK*

**Higher demand for thick plate in 2014 supported Mill 5000 utilization rates**

### Product Mix Supplied to Pipe Industry in 2013-2014, th. tonnes

- **HRC**
  - **2013**: 1,488
  - **2014**: 1,764

- **Thick Plate (m. 5000)**
  - **2013**: 543
  - **2014**: 757

- **H/r Plate**
  - **2013**: 100
  - **2014**: 121

- **CRC**
  - **2013**: 71
  - **2014**: 105

*Source: MMK*
MMK Domestic and Export Sales, mln tonnes

**MMK Domestic and Export Sales Structure, 2014**

**MMK Domestic Sales by Region, 2014**

**MMK Domestic Sales by Sector, 2014**

---

**MAXIMISING SHARE OF DOMESTIC SALES**

...in order to enhance profit margins and reduce exposure to the seaborne market

**Domestic market (Russia + CIS)**

**Export**

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic market</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2,1</td>
<td>4,0</td>
</tr>
<tr>
<td>1999</td>
<td>3,7</td>
<td>5,5</td>
</tr>
<tr>
<td>2002</td>
<td>8,6</td>
<td>10,0</td>
</tr>
<tr>
<td>2005</td>
<td>9,6</td>
<td>11,0</td>
</tr>
<tr>
<td>2008</td>
<td>9,2</td>
<td>10,5</td>
</tr>
<tr>
<td>2011</td>
<td>6,9</td>
<td>9,5</td>
</tr>
<tr>
<td>2014</td>
<td>2,1</td>
<td>4,0</td>
</tr>
</tbody>
</table>

**Total: 9,588 kt**

**HVA Products, 42%**

**Coated & Downstream products, 20%**

**Thick plate, 10%**

**Long steel products, 19%**

**C/r steel, 12%**

**H/r steel, 39%**

**Ship building, 0,8%**

**Automobile sector, 3,6%**

**Bridge building, 0,5%**

**Other, 0,5%**

**Pipe production, 29,1%**

**Spot sales in Russia, 25,0%**

**Spot sales in CIS, 12,6%**

**Metalware and semi-integrated factories, 9,2%**

**Machine / Railcar building, 9,7%**

**Construction sector, 9,2%**

**Total: 9,588 kt**

**MMK organically grows its share in Russian market while demand in export markets remains sustainable.**

**MMK is located in most intensive steel consuming region of Russia.**

Source MMK
### Diversified Domestic Sales

#### Top 8 Customers, th. tonnes

- **Avtozav; 106**
- **Naberezhnochny Pipe Plant; 238**
- **Severski Pipe Plant; 390**
- **Uraltrubprom; 288**
- **Stalepromyshleny Company; 359**
- **ChTPZ; 578**
- **Lysvenski Steel Plant; 362**
- **Volzhski Pipe Plant; 362**

**Total: 2,585 th. tonnes**

Largest external customer accounts for below 5% in shipments

#### Top 10 Customers Share in Total Shipments, %

- **Top 8 Customers**
  - **60%**
  - **24%**
- **Rest of the Domestic Market**
  - **16%**
- **Export Market**
  - **0%**

2014

Source MMK

#### Shipments to End Customers (90%)

- **Domestic Shipments**
- **Export Shipments**

#### Dealers

**Spot Sales (10%)**

**MMK Steel Trade AG**

**MMK Trading 100%**

#### Major Customers

#### Smaller Customers

#### Regional Distribution Network

Source MMK
MMK has been active in terms of increasing the level of vertical integration, particularly in respect of raw materials, since its IPO

- Acquisition of 100% share in “Profit” scrap company in June 2009
- Increase of stake in Belon coal company to 82.6% in October 2009 and to 95% in September 2013
- Increase of in-house production of iron ore (mining and tailings processing)
- Generation of c. 69% of electricity supplies in 2014
Continuous deleveraging

- The group of focussed on achieving quality balance sheet by continuous deleveraging
- MMK has adopted a debt tolerance principle of Total Debt / EBITDA <=2x at any time through the cycle
- In order to manage its leverage at a comfortable level within the limit, MMK can use the following levers:
  - Capex revision by almost half y-o-y
  - Limitation of M&A activity
  - Improving operating performance led by cost cutting initiatives
  - Sustainable cash-flow due to improved operational performance (including cost effects)

CAPEX has dropped by more than 4 times from its peak, mln USD

Adequate liquidity, mln USD

Healthy deleveraging, mln USD
# TABLE OF CONTENTS

1. MMK at a Glance .................................................. 3

2. Business Overview ............................................ 8

3. Strategic overview ............................................. 12

4. Financial overview ........................................... 20

5. Appendices ...................................................... 24
## FINANCIAL HIGHLIGHTS

Demonstrating relative financial strength

### Summary of key results

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude steel output, kt</td>
<td>13,031</td>
<td>11,941</td>
<td>13,037</td>
<td>12,195</td>
</tr>
<tr>
<td>Finished steel, kt</td>
<td>11,650</td>
<td>11,060</td>
<td>11,937</td>
<td>11,158</td>
</tr>
<tr>
<td>Revenues, $ mln</td>
<td>7,952</td>
<td>8,190</td>
<td>9,328</td>
<td>9,306</td>
</tr>
<tr>
<td>EBITDA, $ mln</td>
<td>1,607</td>
<td>1,223</td>
<td>1,356</td>
<td>1,336</td>
</tr>
<tr>
<td>EBITDA margin, %</td>
<td>20.2%</td>
<td>14.9%</td>
<td>14.5%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Net profit, $ mln</td>
<td>-44</td>
<td>-2,429</td>
<td>-94</td>
<td>-125</td>
</tr>
<tr>
<td>Assets, $ mln</td>
<td>7,857</td>
<td>12,148</td>
<td>16,292</td>
<td>16,295</td>
</tr>
<tr>
<td>Debt, $ mln</td>
<td>2,587</td>
<td>3,180</td>
<td>3,880</td>
<td>4,416</td>
</tr>
<tr>
<td>Shareholder capital, $ mln</td>
<td>3,910</td>
<td>6,828</td>
<td>9,665</td>
<td>9,289</td>
</tr>
<tr>
<td>Cash, $ mln</td>
<td>549</td>
<td>154</td>
<td>362</td>
<td>424</td>
</tr>
<tr>
<td>Net debt, $ mln</td>
<td>2,038</td>
<td>3,026</td>
<td>3,518</td>
<td>3,992</td>
</tr>
<tr>
<td>Net Debt / EBITDA (x)</td>
<td>1.27</td>
<td>2.47</td>
<td>2.86</td>
<td>3.31</td>
</tr>
</tbody>
</table>

### Revenue growth continued into 2014, USD mln

![Revenue growth chart](chart.png)

### MMK Group Financials, USD mln

![Financials chart](chart.png)
# PRUDENT FINANCIAL POLICY

## Key Management Considerations

<table>
<thead>
<tr>
<th>Debt Tolerance</th>
<th>Management’s commitment to Gross Debt/ EBITDA below 2x on a long-term basis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liquidity and debt management</strong></td>
<td>Good relationship with banks and willingness to enter the bond market as an alternative source of funding</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td>Flexible Capex which can be adapted to market conditions</td>
</tr>
<tr>
<td><strong>M&amp;A</strong></td>
<td>Management is focused on organic growth and does not envisage external growth</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>Commitment to 20% of IFRS net profit payout ratio</td>
</tr>
<tr>
<td><strong>Additional liquidity</strong></td>
<td>The Group holds liquid stock on its balance sheet, i.e. 5% of Fortescue Metals Group shares, worth close to USD350m as of the end of 2014</td>
</tr>
</tbody>
</table>

## Debt Tolerance
- Target leverage \( \leq 2.0x \) through the cycle
- Good relationship with banks and willingness to enter the bond market as an alternative source of funding
- Keep cash on balance sheet of USD549m at the end of 2014
- Available bank lines amount to USD1.1bn as of 2014YE

## Liquidity and debt management
- Cash on hand
  - Available committed lines
- In accordance with leverage target
- Focus on organic growth
- 20% payout ratio

## CAPEX
- Flexible Capex which can be adapted to market conditions
- Funding of the planned CAPEX mostly with internal cash flow
- Flexibility to revise CAPEX to bring it down to maintenance only (below USD250 mln)

## M&A
- Management is focused on organic growth and does not envisage external growth

## Dividends
- Commitment to 20% of IFRS net profit payout ratio

## Additional liquidity
- The Group holds liquid stock on its balance sheet, i.e. 5% of Fortescue Metals Group shares, worth close to USD350m as of the end of 2014

## Principles

### Risk Management
- Regular monitoring
- Regular monitoring and active management of various risks

### Accounting
- IFRS as external and internal standard
- Independent Audit
  - Use of IFRS
Despite the adverse economic conditions, MMK generated strong FCF in 2012 and 2014

MMK expects to continue generating sound level of free cash flow that will support the deleveraging objectives of the Company

Note: FFO = cash flow from operations before change in working capital and after tax on interest paid
FCF excludes other investing and financing items
PPE: property, plant and equipment
# TABLE OF CONTENTS

1. MMK at a Glance 3

2. Business Overview 8

3. Strategic overview 12

4. Financial overview 20

5. Appendices 24
2014 ACHIEVEMENTS

1. Record > 1.6 bln USD EBITDA
2. Net debt down 1 bln USD
3. FCF yield ≈ 37%
4. Lost opportunity of FMG stake sale in early 2014
5. Social life: Won Gagarin Cup in ice hockey

**MMK MC Dynamics, mln USD**

- 01.01.2013: 2,577
- 01.01.2014: 2,063

-20% decrease
HISTORICAL EBITDA DYNAMICS

- 2014 saw a record EBITDA, the highest since 2009.
- Following a drop in 2013 – early 2014, quarterly EBITDA for the last three quarters was consistently higher than 2012-2014 average.
- The process of adding new steel making capacities globally is slowing, which should result in the metal industry’s recovery and growth in capacity utilisation.

**EBITDA annual performance, mln USD**

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance, mln USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1309</td>
</tr>
<tr>
<td>2010</td>
<td>1606</td>
</tr>
<tr>
<td>2011</td>
<td>1336</td>
</tr>
<tr>
<td>2012</td>
<td>1363</td>
</tr>
<tr>
<td>2013</td>
<td>1223</td>
</tr>
<tr>
<td>2014</td>
<td>1607</td>
</tr>
</tbody>
</table>

**EBITDA quarterly performance, mln USD**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Performance, mln USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2012</td>
<td>293</td>
</tr>
<tr>
<td>Q2 2012</td>
<td>369</td>
</tr>
<tr>
<td>Q3 2012</td>
<td>398</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>303</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>381</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>297</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>233</td>
</tr>
<tr>
<td>Q4 2013</td>
<td>312</td>
</tr>
<tr>
<td>Q1 2014</td>
<td>294</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>399</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>522</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>392</td>
</tr>
</tbody>
</table>

Source: MMK
HIGH CAPACITY UTILISATION

Key production indicators, ths tonnes

<table>
<thead>
<tr>
<th></th>
<th>Q4 '14</th>
<th>Q3 '14</th>
<th>%</th>
<th>FY '14</th>
<th>FY '13</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cast iron</td>
<td>2 476</td>
<td>2 629</td>
<td>-6%</td>
<td>10 280</td>
<td>9 586</td>
<td>7%</td>
</tr>
<tr>
<td>Crude steel incl.</td>
<td>3 072</td>
<td>3 381</td>
<td>-9,1%</td>
<td>13 031</td>
<td>11 941</td>
<td>9%</td>
</tr>
<tr>
<td>MMK</td>
<td>3 072</td>
<td>3 381</td>
<td>-9,1%</td>
<td>13 031</td>
<td>11 941</td>
<td>9,1%</td>
</tr>
<tr>
<td>MMK Metalurji</td>
<td>0</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Finished products</td>
<td>2 914</td>
<td>3 131</td>
<td>-7%</td>
<td>12 158</td>
<td>11 060</td>
<td>10%</td>
</tr>
<tr>
<td>MMK</td>
<td>2 776</td>
<td>2 996</td>
<td>-7,3%</td>
<td>11 650</td>
<td>10 667</td>
<td>9,2%</td>
</tr>
<tr>
<td>MMK-Metiz*</td>
<td>101</td>
<td>142</td>
<td>-29%</td>
<td>508</td>
<td>535</td>
<td>-5%</td>
</tr>
<tr>
<td>MMK Metalurji*</td>
<td>172</td>
<td>184</td>
<td>-6,5%</td>
<td>690</td>
<td>664</td>
<td>4%</td>
</tr>
<tr>
<td>HVA products</td>
<td>1 344</td>
<td>1 420</td>
<td>-5,4%</td>
<td>5 480</td>
<td>5 336</td>
<td>3%</td>
</tr>
<tr>
<td>Belon coking coal concentrate</td>
<td>886</td>
<td>672</td>
<td>32%</td>
<td>2 942</td>
<td>2 858</td>
<td>3%</td>
</tr>
</tbody>
</table>

* - incl. made from MMK steel

MMK Group steel dynamics, ths tonnes

- MMK Group finished steel products output in FY 2014 was up 9.9% y-o-y. This growth was driven by import substitution on the Russian market.
- MMK Group High Value Added (HVA) steel products output in FY 2014 was up 3% y-o-y.
- The share of HVA products in total output volume decreased to 45.1% due to significant growth in HRC sales to export markets.
- MMK Group’s total capacity utilisation rate was 88%.
- The main underutilised capacities were EAFs and the few remaining un-modernised HRC and CRC rolling mills.
- Lower crude steel output in Q4 2014 by 9.1% q-o-q related to a scheduled maintenance of BF #8 (December 2014) and oxygen converter (November-December 2014), and seasonal slowdown of the demand.

Key capacities utilisation rates in 2014, %

<table>
<thead>
<tr>
<th>Capacity</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blast Furnace</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Steel BOF</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Steel EAF</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>Long Steel</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>HRC</td>
<td>93%</td>
<td></td>
</tr>
<tr>
<td>CRC</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>Galv. products</td>
<td>98%</td>
<td></td>
</tr>
<tr>
<td>Total by products</td>
<td>88%</td>
<td></td>
</tr>
</tbody>
</table>
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- Revenue for Q4 2014 decreased by 19.1% q-o-q to USD 1,727 million. The key factors were seasonal decline in sales volume and decrease in prices in dollar terms.

- Revenue for FY 2014 decreased by 2.9% y-o-y. This was due to lower steel prices in 2014, which are under pressure from the continuing global excess steel capacity and decrease in iron ore prices.

**Quarterly revenue dynamics, mln USD**

<table>
<thead>
<tr>
<th>Steel (Russia)</th>
<th>Steel (Turkey)</th>
<th>Coal</th>
<th>Eliminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2014</td>
<td>2,013</td>
<td>1,574</td>
<td></td>
</tr>
<tr>
<td>Q4 2014</td>
<td>165</td>
<td>173</td>
<td>-108</td>
</tr>
</tbody>
</table>

MMK Group revenue for Q4 2014 amounted to USD 1,727 mln

<table>
<thead>
<tr>
<th>Steel (Russia)</th>
<th>Steel (Turkey)</th>
<th>Coal</th>
<th>Eliminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2013</td>
<td>636</td>
<td>643</td>
<td>-531</td>
</tr>
<tr>
<td>FY 2014</td>
<td>341</td>
<td>271</td>
<td>-370</td>
</tr>
</tbody>
</table>

Source: MMK

**Annual revenue dynamics, mln USD**

<table>
<thead>
<tr>
<th>Steel (Russia)</th>
<th>Steel (Turkey)</th>
<th>Coal</th>
<th>Eliminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2013</td>
<td>7,744</td>
<td>7,408</td>
<td></td>
</tr>
<tr>
<td>FY 2014</td>
<td>636</td>
<td>643</td>
<td>-531</td>
</tr>
</tbody>
</table>

MMK Group revenue for FY 2014 amounted to USD 7,952 mln

Source: MMK
KEY FINANCIAL HIGHLIGHTS OF MMK GROUP

- MMK Group’s EBITDA for Q4 2014 amounted to USD 392 mln, with margin of 20.7%. The margin decreased by 1.7 p.p. q-o-q.

- MMK Group’s EBITDA for FY 2014 increased by 31.4% y-o-y to USD 1,607 mln EBITDA margin for FY 2014 amounted to 20.2%.

EBITDA/t vs metal sale price, USD/t

Quarterly EBITDA dynamics, mln USD

Annual EBITDA dynamics, mln USD

Source: MMK
ANALYSIS OF KEY FINANCIAL HIGHLIGHTS

- The key factor affecting revenue in both Q4 2014 and FY 2014 was the rouble rate fluctuation vs the US dollar.
- The cash-cost of slab decreased by 21.1% in Q4 2014 due to the decrease in prices for key raw materials as well as materials structure optimisation.

**Cash-cost of slab dynamics, USD/t**

Source: MMK

**MMK Group’s revenue, 2014 vs 2013, mln USD**

**MMK Group’s revenue, Q4 2014 vs Q3 2014, mln USD**

Source: MMK
DECREASING DEPRECIATION AND CAPEX SUPPORT THE GROUP’S PROFITABILITY

- Deprecation costs in FY 2014 amounted to USD 746 mln, down by more than 23% y-o-y

- It is expected that depreciation costs in dollar terms will continue to decrease in 2015, due to the rouble devaluation vs the dollar

- MMK Group’s CAPEX in 2014 amounted to USD 497 mln (down 20.1% y-o-y)

Lower depreciation costs decreases pressure on profit, mln USD

Quarterly CAPEX dynamics, mln USD

Quarterly CAPEX trends in 2013 and 2014 show a decrease of 20.1% y-o-y.

Source: MMK

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

Overall CAPEX decrease following the end of investment cycle in 2014.

Source: MMK

• Deprecation costs in FY 2014 amounted to USD 746 mln, down by more than 23% y-o-y

• It is expected that depreciation costs in dollar terms will continue to decrease in 2015, due to the rouble devaluation vs the dollar

• MMK Group’s CAPEX in 2014 amounted to USD 497 mln (down 20.1% y-o-y)

Lower depreciation costs decreases pressure on profit, mln USD

Quarterly CAPEX dynamics, mln USD

Quarterly CAPEX trends in 2013 and 2014 show a decrease of 20.1% y-o-y.

Source: MMK

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

Overall CAPEX decrease following the end of investment cycle in 2014.

Source: MMK
MMK BENEFITS FROM ONE OF THE HIGHEST FREE CASH FLOW YIELD IN THE SECTOR, mln USD

Free cash flow
Market capitalisation as of 31.12.2014

Free cash flow yield 36.8%
LOWER CAPEX FOR HIGHER EFFICIENCY

CAPEX structure in 2014, mln USD

MMK 79%
Belon 9%
Metalurji 2%
Service 3%
Others 7%

Total: 497 mln

Planned CAPEX structure for 2015, mln USD

MMK 79%
Belon 8%
Metalurji 2%
Service 3%
Others 8%

Total: ≈400 mln

Due to the absence of major investment projects in the investment programme for the upcoming 2-3 years, more than 80% of CAPEX is denominated in roubles. The rouble devaluation will result in a decrease of that amount, in USD terms, as compared to the planned sum.

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

- MMK Group’s net debt as of the end of 2014 decreased by USD 988 mln compared to 31.12.2013.
- At the end of 2014, net debt / EBITDA decreased to 1.27x, which the company sees as a comfortable level
- In 2015, the company plans to further decrease the debt load by using cash funds and cash flow from operations
MMK GROUP’S DEBT PROFILE

- Significant rouble devaluation in December 2014 resulted in further growth of the debt share denominated in USD – 59%.

- Volume of liquid funds in the MMK Group’s balance sheet significantly exceeds the short-term debt.

- Debt maturity schedule does not presume any significant onetime payments.

High level of liquidity, mln USD

Debt and cash funds structure by currency, mln USD

Debt maturity schedule, mln USD

Source: MMK
COMMENT ON MARKET SITUATION

• In Q1 2015, demand for the company’s products remains high, giving a forecast growth in sales of up to 3-4% q-o-q during the quarter.

• The rouble price on the domestic market has been growing since November 2014, and has now reached export parity level.

• Low global prices for ore, surplus steel capacities in the world (at least 77% capacity utilisation rate) and growing steel exports from China continue to put pressure on steel prices, resulting in a decline in export prices during Q1 2015.

• Q1 2015 sees rising rouble prices for coal (by 25-30%). This rise in the company’s costs is balanced out by iron ore prices (currently, Platts index is below USD 60 per tonne).

Source: MMK