IFRS financial results for Q3 and 9M 2018
### Key highlights for the MMK Group

#### Q3 2018 financial results
- **Revenue**: USD 2,091 mln **down** 0.7% on Q2 2018
- **Cost of sales**: USD 1,338 mln **down** 3.3% on Q2 2018
- **EBITDA**: USD 671 mln **up** 3.2% on Q2 2018
- **EBITDA margin**: 32.1% **up** 1.2 p.p. on Q2 2018
- **Net profit**: USD 401 mln **up** 2.3% on Q2 2018
- **Slab cash cost**: USD 276 per tonne **down** 4.8% on Q2 2018
- **Free cash flow (FCF)**: USD 362 mln **up** 28.8% on Q2 2018
- **Capex**: USD 162 mln **down** 40.7% on Q2 2018

#### 9M 2018 financial results
- **Revenue**: USD 6,252 mln **up** 11.7% on 9M 2017
- **Cost of sales**: USD 4,144 mln **up** 4.4% on 9M 2017
- **EBITDA**: USD 1,881 mln **up** 30.6% on 9M 2017
- **Net profit**: USD 1,072 mln **up** 31.7% on 9M 2017
- **Free cash flow (FCF)**: USD 788 mln **up** 36.3% on 9M 2017
- **Capex**: USD 656 mln **up** 53.6% on 9M 2017

*Source: MMK*
### Key production indicators, ths tonnes

<table>
<thead>
<tr>
<th></th>
<th>Q3’18</th>
<th>Q2’18</th>
<th>%</th>
<th>9M’18</th>
<th>9M’17</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pig iron</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,621</td>
<td>2,276</td>
<td>15.2%</td>
<td>7,301</td>
<td>7,509</td>
<td>-2.8%</td>
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<tr>
<td><strong>Crude steel incl.</strong></td>
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<tr>
<td></td>
<td>3,376</td>
<td>3,029</td>
<td>11.5%</td>
<td>9,552</td>
<td>9,569</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>MMK</strong></td>
<td>3,376</td>
<td>3,029</td>
<td>11.5%</td>
<td>9,552</td>
<td>9,569</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>Finished products incl.</strong></td>
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</tr>
<tr>
<td></td>
<td>3,052</td>
<td>2,848</td>
<td>7.2%</td>
<td>8,728</td>
<td>8,790</td>
<td>-0.7%</td>
</tr>
<tr>
<td><strong>MMK</strong></td>
<td>3,007</td>
<td>2,762</td>
<td>8.9%</td>
<td>8,599</td>
<td>8,546</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>MMK-Metiz</strong></td>
<td>112</td>
<td>113</td>
<td>-1.2%</td>
<td>335</td>
<td>332</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>MMK Metalurji</strong></td>
<td>137</td>
<td>198</td>
<td>-30.6%</td>
<td>565</td>
<td>712</td>
<td>-20.6%</td>
</tr>
<tr>
<td><strong>HVA products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,351</td>
<td>1,381</td>
<td>-2.1%</td>
<td>4,077</td>
<td>4,006</td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>Coking coal concentrate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>808</td>
<td>746</td>
<td>8.3%</td>
<td>2,220</td>
<td>1,965</td>
<td>13.0%</td>
</tr>
</tbody>
</table>

* - including made from MMK steel

### MMK Group finished products dynamics, ths tonnes

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Steel products</th>
<th>HVA Products Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 17</td>
<td>2,560</td>
<td>47.6%</td>
</tr>
<tr>
<td>Q2 17</td>
<td>2,998</td>
<td>44.1%</td>
</tr>
<tr>
<td>Q3 17</td>
<td>3,232</td>
<td>45.4%</td>
</tr>
<tr>
<td>Q4 17</td>
<td>2,827</td>
<td>44.7%</td>
</tr>
<tr>
<td>Q1 18</td>
<td>2,828</td>
<td>47.6%</td>
</tr>
<tr>
<td>Q2 18</td>
<td>2,848</td>
<td>48.5%</td>
</tr>
<tr>
<td>Q3 18</td>
<td>3,052</td>
<td>44.3%</td>
</tr>
</tbody>
</table>

### Key capacities utilisation rates, Q3 2018, %

- **Blast Furnace**: 100%
- **Steel BOF**: 100%
- **Steel EAF**: 80%
- **Long Steel**: 99%
- **HRC**: 99%
- **CRC**: 86%
- **Coated steel products**: 96%

Source: MMK
In Q3 2018, after the completion of planned repairs at the hot-rolling steel mill, the Company increased its sales of hot-rolled products for export. Lower demand in the Middle East was offset by increased sales to Asia and North Africa.

As a result, the share of export sales grew, but the ratio of domestic market to export market sales remained close to the optimal 80:20.
Revenue for Q3 2018 amounted to USD 2,091 mln, down 0.7% on Q2 2018.

The decrease in revenue from the steel segment (Turkey) was due to a fall in domestic demand in the Turkish market amid a period of economic instability.
In Q3 2018, the average sales price decreased 6.7% q-o-q, but EBITDA per tonne fell at a slower rate over the same period, down 5.1% q-o-q.

EBITDA of the Russian steel segment in 9M 2018 grew 30.6% y-o-y. This was mainly due to high steel prices and improvements to the sales structure.

EBITDA of the coal segment in 9M 2018 increased by 1.5 times y-o-y and amounted to USD 105 mln. This growth was due to a significant increase in production and processing of MMK’s own coal.
Key factors affecting revenue in Q3 2018 were higher sales volumes against a background of price correction and the weakening of the ruble.

The cash cost of a tonne of slab in Q3 2018 fell by USD 14 per tonne, or 4.8%. The main reason for the fall (USD 9 per tonne) was a fall in the cost of basic raw materials in dollar terms.

The Company’s profit for Q3 2018 was USD 401 mln (up 2.3% q-o-q).
In Q3 2018, MMK Group’s capex amounted to USD 162 mln. The 40.7% decrease compared to the previous quarter is in line with scheduled implementation of investment projects and is partially due to the weakening of the ruble.

Capex for 2018 is expected to exceed USD 800 mln. This is due to the transition to the active phase of the Company’s investment programme and the acceleration of the implementation of major projects.
Sustainable generation of positive free cash flow (FCF)

As of the end of Q3 2018, the net working capital / revenue ratio was 14.3%

Net working capital mln USD

Sustainable generation of positive free cash flow (FCF), 9M 2018 mln USD

Source: MMK
As of the end of Q3 2018, MMK Group’s debt amounted to USD 523 mln.

As of 30 September 2018, debt denominated in foreign currencies (USD, EUR) accounted for approximately 70% of total debt.

Cash and deposits on the balance sheet (USD 832 mln) fully cover MMK Group’s debt.

The debt maturity schedule does not presume any significant one-off payments.
In Q3 2018, the shares of coal and iron ore in the structure of material costs increased due to the output of blast furnace No. 1 reaching full capacity (after completion of planned repairs at the end of Q2) against a backdrop of stabilized prices for raw materials in the domestic market.

In Q3 2018, the share of scrap in the structure of MMK’s material costs decreased due to increased pig iron production amid sustainable capacity utilisation of electric arc furnaces.
Dividends

MMK’s high levels of financial stability and profitability allow the Company to regularly distribute profit among shareholders.

On 1 November 2018, the Board of Directors recommended that an Extraordinary General Meeting of shareholders (scheduled for 7 December 2018) approve a dividend per share of RUB 2.114 (before taxes) for Q3 2018.

Thus, the total dividend amount to be paid for Q3 2018 will total approximately USD 362 mln (at current exchange rates), or 100% of free cash flow for the period.

Market commentary

The Company currently sees stable demand for metal on its markets, supporting high capacity utilisation and driven by growth in global consumption of steel and a programme to reduce production capacity in China.

The Company’s financial performance in Q4 2018 will be affected by a global decline in steel prices and the seasonal correction in the domestic market, against a backdrop of stabilising prices for basic raw materials.
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