IFRS financial statements for Q4 and FY 2018
## Key highlights for MMK Group

### FY 2018 financial results

- **Revenue**: USD 8,214 mln, up 8.9% on FY 2017
- **Costs of sales**: USD 5,531 mln, up 5.0% on FY 2017
- **EBITDA**: USD 2,418 mln, up 19.0% on FY 2017
- **EBITDA margin**: 29.4%, up 2.5 p.p. on FY 2017
- **Net profit**: USD 1,317 mln, up 10.8% on FY 2017
- **Free cash flow (FCF)**: USD 1,027 mln, up 48.0% on FY 2017
- **CAPEX**: USD 860 mln, up 29.5% on FY 2017

### Q4 2018 financial results

- **Revenue**: USD 1,962 mln, down 6.2% on Q3 2018
- **Costs of sales**: USD 1,387 mln, up 3.7% on Q3 2018
- **EBITDA**: USD 537 mln, down 20.0% on Q3 2018
- **EBITDA margin**: 27.4%, down 4.7 p.p. on Q3 2018
- **Net profit**: USD 245 mln, down -38.9% on Q3 2018
- **Slab cash-cost**: USD 298 per tonne, up 8.0% on Q3 2018
- **Free cash flow (FCF)**: USD 239 mln, down 34.0% on Q3 2018
- **CAPEX**: USD 204 mln, up 25.2% on Q3 2018

*Source: MMK*
### Key indicators, the tonnes

<table>
<thead>
<tr>
<th></th>
<th>Q4’18</th>
<th>Q3’18</th>
<th>%</th>
<th>FY’18</th>
<th>FY’17</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pig iron production</strong></td>
<td>2,558</td>
<td>2,621</td>
<td>-2.4%</td>
<td>9,860</td>
<td>10,163</td>
<td>-3.0%</td>
</tr>
<tr>
<td><strong>Crude steel production</strong></td>
<td>3,112</td>
<td>3,376</td>
<td>-7.8%</td>
<td>12,664</td>
<td>12,860</td>
<td>-1.5%</td>
</tr>
<tr>
<td>MMK</td>
<td>3,112</td>
<td>3,376</td>
<td>-7.8%</td>
<td>12,664</td>
<td>12,860</td>
<td>-1.5%</td>
</tr>
<tr>
<td><strong>Finished products, incl.</strong></td>
<td>2,936</td>
<td>3,052</td>
<td>-3.8%</td>
<td>11,664</td>
<td>11,617</td>
<td>0.4%</td>
</tr>
<tr>
<td>MMK</td>
<td>2,812</td>
<td>3,007</td>
<td>-6.5%</td>
<td>11,411</td>
<td>11,333</td>
<td>0.7%</td>
</tr>
<tr>
<td>MMK-Metiz*</td>
<td>106</td>
<td>112</td>
<td>-5.4%</td>
<td>441</td>
<td>438</td>
<td>0.7%</td>
</tr>
<tr>
<td>MMK Metalurji*</td>
<td>202</td>
<td>137</td>
<td>47.4%</td>
<td>767</td>
<td>925</td>
<td>-17.1%</td>
</tr>
<tr>
<td><strong>HVA products</strong></td>
<td>1,349</td>
<td>1,351</td>
<td>-0.1%</td>
<td>5,426</td>
<td>5,270</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Coking coal concentrate</strong></td>
<td>781</td>
<td>808</td>
<td>-3.3%</td>
<td>3,001</td>
<td>2,725</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

* - including made from MMK steel

### MMK Group finished products dynamics, the tonnes

***Source: MMK***

### Key capacity utilisation rates, Q4 2018, %

- **Blast Furnace**: 100%
- **Steel BOF**: 100%
- **Steel EAF**: 49%
- **Long Steel**: 92%
- **HRC**: 91%
- **CRC**: 85%
- **Coated steel products**: 96%

**Source**: MMK
In Q4 2018, the share of metal products shipped to Europe increased q-o-q, this growth was mainly due to the reorientation of MMK Metalurji shipments towards exports and away from the Turkish market in order to compensate for the decline in domestic consumption.

In FY 2018, the distribution of MMK products sales between the domestic and export markets was at the optimal level of 79%:21%.
The Group's revenue for Q4 2018 amounted to USD 1,962 mln, down 6.2% q-o-q.

Revenue growth in the Steel segment (Turkey) in Q4 2018 was due to an increase in sales of finished products by 47.0% q-o-q, due to the active reorientation of shipments to export markets.
**MMK Group’s key financial highlights**

The average sales price in Q4 2018 decreased by 5.1% q-o-q, reflecting the shift in global steel prices.

The Russian steel segment's EBITDA for FY 2018 grew 19.0% y-o-y, mainly due to an increase in the volume of sales of commodity products against a background of high steel prices and an improved product mix.

The coal segment's EBITDA for FY 2018 increased 31.7% y-o-y and amounted to USD 137 mln. This growth is due to a significant increase in the production and processing of MMK's own coking coal.

**MMK Group’s EBITDA for FY 2018 amounted to USD 2,418 mln, up 19.0% on FY 2017**

**MMK Group’s EBITDA in Q4 2018 amounted to USD 537 mln, down 3.2% on Q3 2018**

*Source: MMK*
The main factors that influenced the revenue in Q4 2018 were a decrease in sales volumes amid a correction in steel prices.

Cash cost per tonne of slab for Q4 2018 increased by USD 22 per tonne, or 8.0%. The main growth factor (USD 14 per tonne) was the price increase of key raw materials in dollar terms.

In 2018, net profit amounted to USD 1,317 mln, up 10.8% y-o-y. For Q4 2018, profit amounted to USD 245 mln.
In Q4 2018, MMK group's capital expenditure amounted to USD 204 mln. This 25.9% growth q-o-q is in line with the investment programme and due to the Company approaching the completion of the sinter plant №5.

In FY 2018, the volume of capital investments amounted to USD 860 mln, in line with the planned level.

Capital investment is expected to remain at approximately the same level in 2019.
Sustainable generation of positive free cash flow (FCF)

As of the end of Q4 2018, the working capital/revenue ratio was **14.6%**

Net working capital, mln USD

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

Source: MMK
At the end of Q4 2018, MMK Group's total debt amounted to USD 536 mln.

As of 31 December 2018, the share of debt denominated in foreign currency (USD+EUR) was higher than 70%.

The amount of cash on the balance sheet (USD 739 mln) fully covers MMK Group's debt.

The debt repayment schedule does not include one-off large payments.

Source: MMK
In Q4 2018, the share of iron ore and steel pellets in the structure of material costs grew due to the growth of global indices for ore and the increase in the use of pig iron in steelmaking.

At the same time, the share of scrap-metal decreased due to lower capacity utilisation of electric arc furnaces.
• At the moment, despite the seasonal decline in business activity on the domestic market, the Company sees a sufficient demand to maintain high capacity utilisation at its production facilities.

• In general, the Company expects that in 2019 its high capacity utilisation will be supported by a high global steel consumption. Additional support may be expected from continued realisation of the production capacities reduction programme in China, coming along with ecological restrictions imposed on steel smelting and implementation of the incentives plan to support domestic demand.

• The Company's financial results for Q1 2019 will be affected by high iron ore prices. This negative factor should be offset by the start of the seasonal recovery in steel prices, as well as high capacity utilisation at the facilities producing high-margin products (including Mill 5000).
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