IFRS financial results for Q2 and H1 2018
Key highlights for MMK Group

Q2 2018 financial highlights

- **Revenue**: USD 2,106 mln, up 2.5% on Q1 2018
- **Cost of sales**: USD 1,384 mln, down 2.7% on Q1 2018
- **EBITDA**: USD 650 mln, up 16.1% on Q1 2018
- **EBITDA margin**: 30.9%, up 3.6 p.p. on Q1 2018
- **Net profit**: USD 392 mln, up 40.5% on Q1 2018
- **Slab cash cost**: USD 290 per tonne, down 3.3% on Q1 2018
- **Free cash flow (FCF)**: USD 281 mln, up 93.8% on Q1 2018
- **CAPEX**: USD 273 mln, up 23.5% on Q1 2018

H1 2018 financial highlights

- **Revenue**: USD 4,161 mln, up 16.0% on H1 2017
- **Cost of sales**: USD 2,806 mln, up 9.6% on H1 2017
- **EBITDA**: USD 1,210 mln, up 33.4% on H1 2017
- **Net profit**: USD 671 mln, up 24.7% on H1 2017
- **Free cash flow (FCF)**: USD 426 mln, up 95.4% on H1 2017
- **CAPEX**: USD 494 mln, up 73.9% on H1 2017

Source: MMK
Key highlights for MMK Group

Key operating indicators, ths tonnes

<table>
<thead>
<tr>
<th></th>
<th>Q2 2018</th>
<th>Q1 2018</th>
<th>%</th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of the Group’s finished products, including</td>
<td>2,848</td>
<td>2,828</td>
<td>0.7%</td>
<td>5,675</td>
<td>5,558</td>
<td>2.1%</td>
</tr>
<tr>
<td>Steel (Russia)</td>
<td>2,645</td>
<td>2,592</td>
<td>2.0%</td>
<td>5,238</td>
<td>5,076</td>
<td>3.2%</td>
</tr>
<tr>
<td>Steel (Turkey)</td>
<td>203</td>
<td>235</td>
<td>-13.6%</td>
<td>438</td>
<td>482</td>
<td>-8.5%</td>
</tr>
</tbody>
</table>

**Group’s HVA products**

<table>
<thead>
<tr>
<th></th>
<th>Q2 2018</th>
<th>Q1 2018</th>
<th>%</th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of the Group’s finished products, including</td>
<td>1,381</td>
<td>1,345</td>
<td>2.7%</td>
<td>2,726</td>
<td>2,539</td>
<td>7.3%</td>
</tr>
<tr>
<td>Coking coal concentrate</td>
<td>746</td>
<td>666</td>
<td>12.1%</td>
<td>1,412</td>
<td>1,308</td>
<td>8.0%</td>
</tr>
<tr>
<td>Iron ore production</td>
<td>780</td>
<td>761</td>
<td>2.6%</td>
<td>1,320</td>
<td>1,604</td>
<td>-17.7%</td>
</tr>
</tbody>
</table>

* - including made from MMK steel

MMK Group finished products dynamics, ths tonnes

Key capacity utilisation rates, Q2 2018, %

<table>
<thead>
<tr>
<th></th>
<th>Q1 17</th>
<th>Q2 17</th>
<th>Q3 17</th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel products</td>
<td>2,560</td>
<td>2,998</td>
<td>3,232</td>
<td>2,827</td>
<td>2,828</td>
<td>2,848</td>
</tr>
<tr>
<td>HVA Products Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MMK
In Q2 2018, shipments to the domestic market grew amid a seasonal recovery in business activity.

As a result, MMK Group’s domestic sales accounted for 82% of overall sales.

A favourable pricing environment in Q2 2018 helped to increase metal sales to South-East Asia.
In Q2 2018, the Group’s revenue amounted to USD 2,106 mln USD, up 2.5% q-o-q.

Revenue growth was mainly due to continued high sales volumes of finished products, an improved sales mix and higher prices on the domestic market.
MMK Group’s key financial highlights

In Q2 2018, the average sales price grew 1.2% q-o-q thanks to higher domestic sales volume amid higher prices and an improved sales mix.

Growth in EBITDA per tonne to USD 217 was due to stable prices for key raw materials as the rouble weakened against the US dollar.

EBITDA of the Russian steel segment in Q2 2018 grew 18.4% on Q1 2018.

Source: MMK
Key revenue drivers in Q2 2018 were higher sale prices for MMK products and higher shipments from warehouses.

The cash cost of slab in Q2 2018 decreased by USD 10 USD per tonne, or 3.3%. This was mainly due to lower prices for key raw materials in USD terms.

In Q2 2018, net profit grew by USD 113 mln USD, or 40.5% q-o-q.
In Q2 2018, MMK Group’s capex amounted to USD 273 mln, up 23.5% q-o-q. This growth was due to a number of advance payments for deliveries of equipment for sinter plant No. 5.

Capital expenditure for FY 2018 is expected to be slightly above USD 800 mln (at current RUB-USD exchange rates). Of this, USD 494 mln was invested in H1 2018. Thus, a reduction in the capex run-rate can be expected in H2 2018 compared to H1 2018.

The principal driver of capex growth in 2018 compared to the original plan is due to investments for part of the project being brought forward due to an acceleration of the Company’s investment programme.
Sustainable generation of positive free cash flow (FCF)

As of the end of Q2 2018, the working capital/revenue ratio was **14.7%**

**Net working capital, mln USD**

**Sustainable generation of positive free cash flow (FCF) in H1 2018, mln USD**

Source: MMK
As of the end of Q2 2018, MMK Group’s total debt amounted to USD 521 mln.

As of 30.06.2018, debt denominated in foreign currencies (USD, EUR) accounted for approximately 69% of the total.

Cash and deposits on the balance sheet (USD 601 mln) fully covers MMK Group’s debt.

The debt maturity schedule does not assume any significant one-off payments.

Source: MMK
In Q2 2018, the share of scrap in the structure of MMK’s material costs continued to grow due to higher capacity utilisation of EAFs during the schedule maintenance of blast furnace No. 1.

The share of pellets in the structure of MMK’s material costs decreased due to lower needs for raw materials for pig iron production.
Dividends

On 1 July 2018, MMK’s Board of Directors recommended that the Extraordinary General Meeting of Shareholders pay dividends for Q2 2018 of RUB 1.589 per share (before tax).

Thus, the dividends recommended to be paid for Q2 2018 would amount to approximately USD 281 mln (based on the current exchange rate) or 100% of FCF for the period.

The Board of Directors also recommended to set the Q2 2018 dividend record date as the close of trading on 9 October 2018.

Comments on market situation

The Company currently sees healthy demand for metal on its sales markets, which ensures full capacity utilization and supports the price premium on domestic market.

The Company’s financial performance in Q3 2018 will be affected by some correction in the price of steel amid lower business activity on sales markets and stabilisation in prices for key raw materials.
Disclaimer

• THESE MATERIALS ARE PROVIDED FOR INFORMATION PURPOSES ONLY
• THIS PRESENTATION IS FOR DISTRIBUTION IN UK ONLY AMONG THE PEOPLE HAVING PROFESSIONAL SKILL IN THE ISSUES RELATED TO INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, OR THOSE PEOPLE, AMONG WHICH IT MAY BE LAWFULLY DISTRIBUTED. THIS INFORMATION IS CONFIDENTIAL AND PROVIDED TO YOU EXCLUSIVELY FOR YOUR REFERENCE. BY ACCEPTANCE OF THIS INFORMATION THE RECIPIENT HEREOF CONFIRMS THAT HE OR SHE IS A SPECIALIST IN THE SPHERE OF INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, ACTING IN HIS OR HER NATURE.
• THIS PRESENTATION DOES NOT 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 HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.
• THE INFORMATION CONTAINED HEREIN IS SUBJECT TO VERIFICATION, COMPLETION AND MAY BE SIGNIFICANTLY CHANGED. NONE OF THE PERSONS IS LIABLE TO UPDATE OR MAINTAIN TOPICALITY OF THE INFORMATION CONTAINED HEREIN, AND THIS INFORMATION AND OPINIONS REFLECTED THEREIN COULD BE CHANGED WITHOUT ANY NOTIFICATION THEREABOUT.
• THIS INFORMATION DOES NOT CONSTITUTE AN OFFER OF THE SECURITIES TO BE SOLD IN RUSSIA, THE UNITED STATES OR ANY OTHER JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD INTO THE UNITED STATES EXCEPT IN A TRANSACTION REGISTERED UNDER SUCH ACT, OR NOT REQUIRED TO BE REGISTERED THERE UNDER, OR PURSUANT TO AND EXEMPTION FROM REGISTRATION REQUIREMENTS THEREOF. NO OFFERING OF SECURITIES IS BEING MADE INTO THE UNITED STATES. NO SECURITIES WILL BE REGISTERED UNDER THE APPLICABLE SECURITIES ACT OF ANY STATE OR TERRITORIAL ENTITY OF CANADA AND JAPAN. THIS PRESENTATION IS NOT SUBJECT TO MAILING, TRANSFERRING OR OTHER TYPE OF DISTRIBUTION IN THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, OR TO THE TERRITORY OR FROM THE TERRITORY OF THE SPECIFIED COUNTRIES TO THE NAME OF ANY ANALYST IN THE SPHERE OF SECURITIES OR OTHER PERSON IN ANY OF THE SPECIFIED JURISDICTIONS. YOU AGREE TO AVOID FROM DISTRIBUTION OF ANY REPORT RESULTING FROM THE SURVEY OR SIMILAR DOCUMENTS ON THE TERRITORY OF THE UNITED STATES OF AMERICA, CANADA, AUSTRALIA AND JAPAN, SAVE AS IN ACCORDANCE WITH THE FEDERAL LAWS OF THE UNITED STATES ON SECURITIES INCLUDING SECURITIES ACT, AS WELL AS THE APPLICABLE LAWS OF CANADA, AUSTRALIA AND JAPAN, ACCORDINGLY.
• THIS PRESENTATION INCLUDES THE STATEMENTS RELATED TO THE FUTURE, WHICH REPRODUCE THE INTENTIONS, OPINIONS AND CURRENT EXPECTATIONS OF THE COMPANY. THE STATEMENTS FOR THE FUTURE INCLUDE ANYTHING, WHICH IS NOT A FACT OCCURRED. THE COMPANY TRIED TO HIGHLIGHT SUCH STATEMENTS RELATED TO THE FUTURE BY MEANS OF THE WORDS, SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "INTEND", "EVALUATE", "ASSUME", "PLAN", "TO HAVE AN OPINION", "TRY", "FORECAST", "CONTINUE" AND SIMILAR WORDS OR THEIR NEGATIVE FORMS. SUCH STATEMENTS HAD BEEN DONE BASED ON THE ASSUMPTIONS AND ASSESSMENTS, WHICH MAY OCCUR FAULTY, THOUGH THE COMPANY CONSIDERED THEM REASONABLE AT THE CURRENT MOMENT.
• SUCH STATEMENTS RELATED TO THE FUTURE ARE LINKED TO THE RISKS, UNCERTAINTIES AND ASSUMPTIONS, AS WELL AS TO OTHER FACTORS, WHICH MAY LEAD TO THE EVENT THAT ACTUAL RESULTS OF THE COMPANY'S ACTIVITY AND ACTIVITY OF THE MARKETS, ON WHICH IT OPERATES OR INTENDS TO OPERATE IN, THEIR FINANCIAL STATUS, LIQUIDITY, CHARACTERISTICS, PROSPECTS AND ABILITIES COULD MATERIALLY DIFFER FROM THOSE, WHICH ARE EXPRESSED WITH THE HELP OF SUCH STATEMENTS RELATED TO THE FUTURE. THE IMPORTANT FACTORS, WHICH MAY RESULT IN SUCH DIFFERENCES, INCLUDE, INTER ALIA, CHANGING BUSINESS CONDITIONS AND OTHER MARKET CONDITIONS, COMMON ECONOMIC CONDITIONS IN RUSSIA, EU COUNTRIES, THE UNITED STATES OF AMERICA OR ANYWHERE ELSE, AS WELL AS THE ABILITY OF THE COMPANY TO MEET THE TRENDS IN THE INDUSTRY. THE MATERIAL DIFFERENCE OF THE ACTUAL RESULTS, FEATURES AND ACHIEVEMENTS MAY BE THE RESULT OF ADDITIONAL FACTORS. THE COMPANY AND ALL ITS DIRECTORS, OFFICERS, EMPLOYEES AND ADVISORS HEREWITH STATE THAT THEY ARE NOT OBLIGED TO ISSUE ANY UPDATE OF OR REVISE ANY STATEMENTS RELATED TO THE FUTURE CONTAINED HEREIN, OR DISCLOSE ANY CHANGES IN THE FORECASTS OF THE COMPANY OR EVENTS, CONDITIONS AND CIRCUMSTANCES, WHICH SUCH STATEMENTS RELATED TO THE FUTURE ARE BASED ON, SAVE AS IN THE CASES PROVIDED FOR BY THE APPLICABLE LAWS.
• RECEIPT OF ANY COPY OF THIS INFORMATION TESTIFIES THE ACCEPTANCE OF THE ABOVE LIMITATIONS.