



**MAGNITOGORSK
IRON & STEEL
WORKS**

IFRS financial statements for Q3 and 9M 2017



9 November 2017

Key highlights for MMK Group



Q3 2017 financial results

Revenue	USD 2,012 mln	✓	up 4.5% on Q2 2017
Cost of sales	USD 1,410 mln	✓	up 1.5% on Q2 2017
EBITDA	USD 533 mln	✓	up 17.1% on Q2 2017
EBITDA margin	26.5%	✓	up 2.9 p.p. on Q2 2017
Net profit	USD 276 mln	⊘	down 7.1% on Q2 2017
Slab cash-cost	USD 262 per tonne	✓	down 9.3% on Q2 2017
Free cash flow (FCF)	USD 360 mln	✓	up 77.3% on Q2 2017
CAPEX	USD 143 mln		down 12.3% on Q2 2017

9M 2017 financial results

Revenue	USD 5,598 mln	✓	up 37.2% on 9M 2016
Cost of sales	USD 3,970 mln	⊘	up 42.9% on 9M 2016
EBITDA*	USD 1,440 mln	✓	up 21.5 on 9M 2016
Net profit*	USD 814 mln	✓	up 38.4 % on 9M 2016
Free cash flow (FCF)	USD 578 mln	⊘	down 4.3% on 9M 2016
CAPEX	USD 427 mln		up 53.6% on 9M 2016

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

Source: MMK

Key production highlights

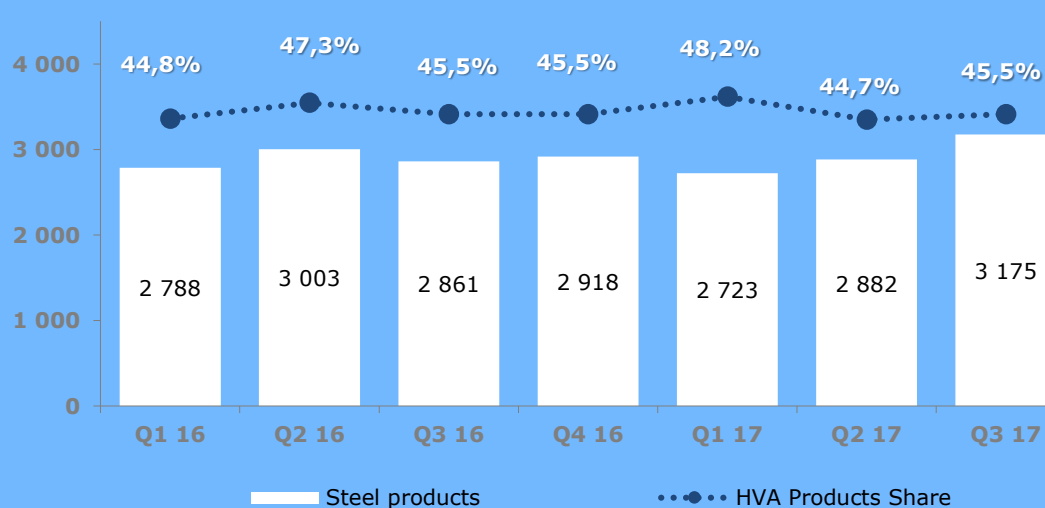


Key production indicators, ths tonnes

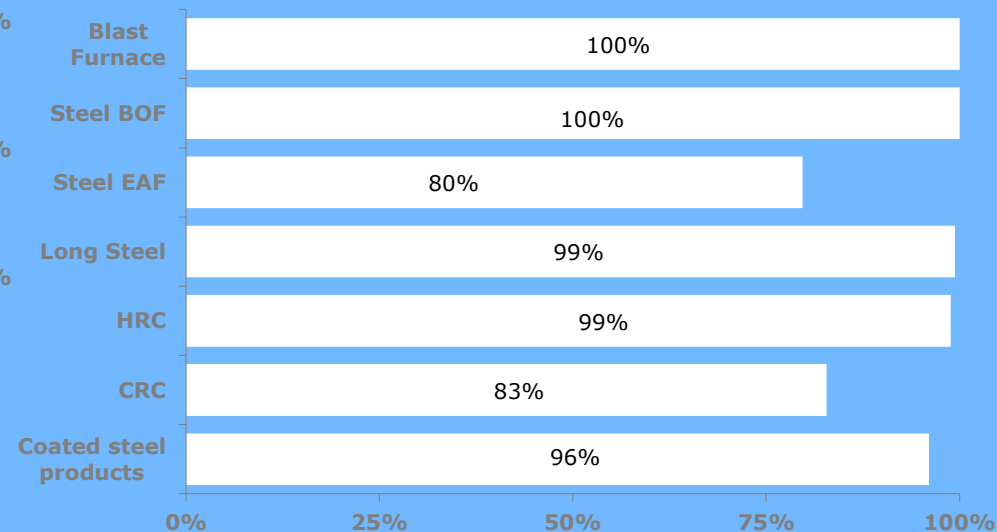
	Q3'17	Q2'17	%	9M'17	9M'16	%
Pig iron	2,559	2,578	-0.8%	7,509	7,283	3.1%
Crude steel	3,321	3,182	4.4%	9,569	9,387	1.9%
MMK	3,321	3,182	4.4%	9,569	9,387	1.9%
Finished products incl.	3,175	2,882	10.2%	8,759	8,652	1.2%
MMK	3,091	2,780	11.2%	8,546	8,484	0.7%
MMK-Metiz*	117	111	4.8%	332	306	8.5%
MMK Metalurji*	249	253	-1.5%	712	624	14.2%
HVA products	1,445	1,288	12.2%	4,046	3,971	1.9%
Coking coal concentrate	658	699	-5.9%	1,965	2,135	-8.0%

* - including made from MMK steel

MMK Group finished products dynamics, ths tonnes



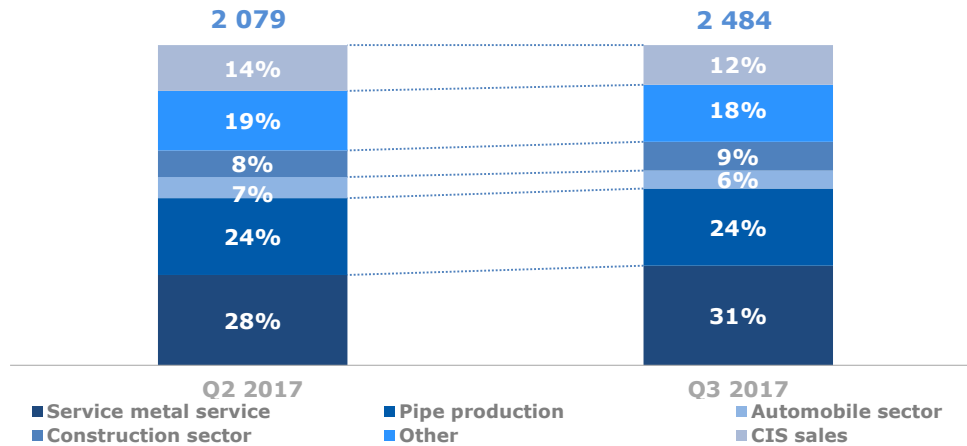
Key capacities utilisation rates, Q3 2017, %



MMK Group's sales structure on key markets

Russia and CIS market sales by sector

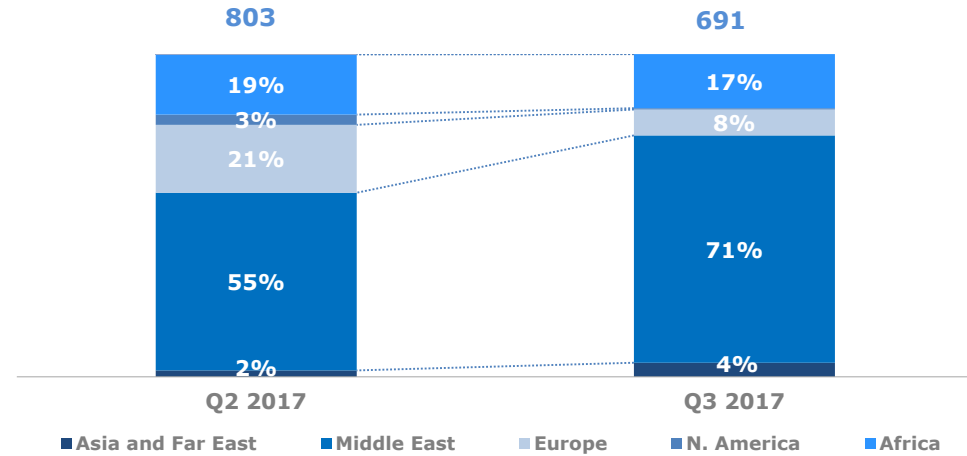
thousands of tonnes



In Q3 2017, amid increased demand from the construction sector, the share of shipments to the construction industry and semi-integrated works increased

International market sales by region

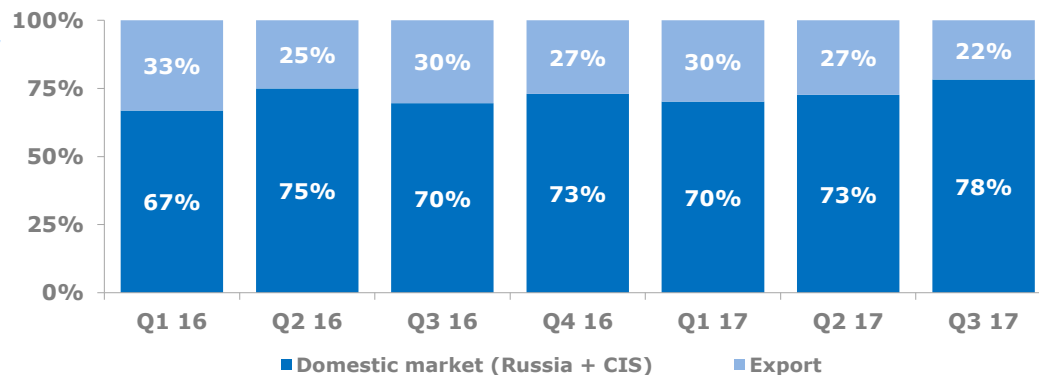
thousands of tonnes



Recovering domestic demand enabled the Company to increase its domestic sales, seeing the share of domestic sales recover to nearly 80% of total sales

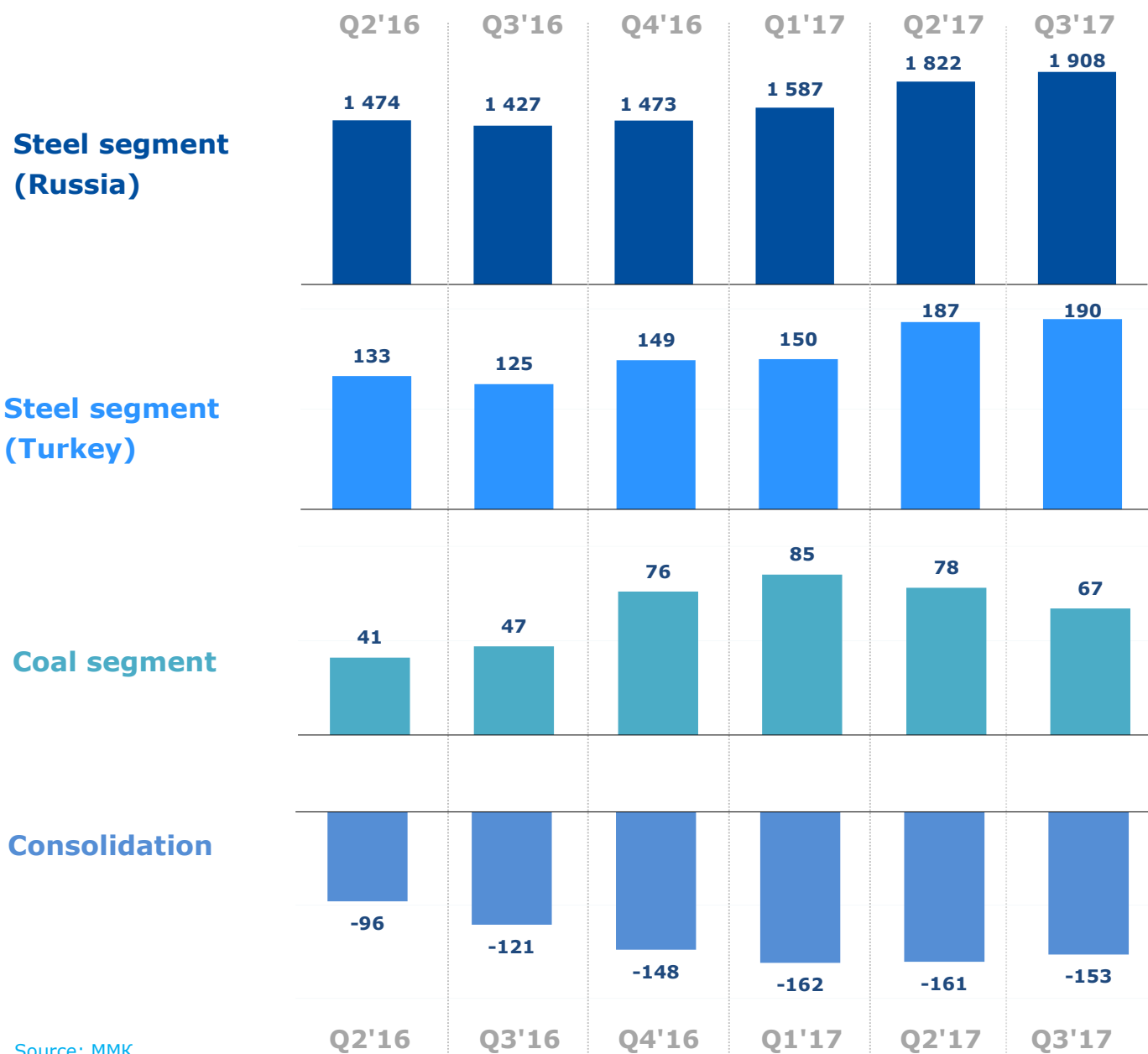
Sales share by market

thousands of tonnes





MMK Group's revenue by segment, mln USD



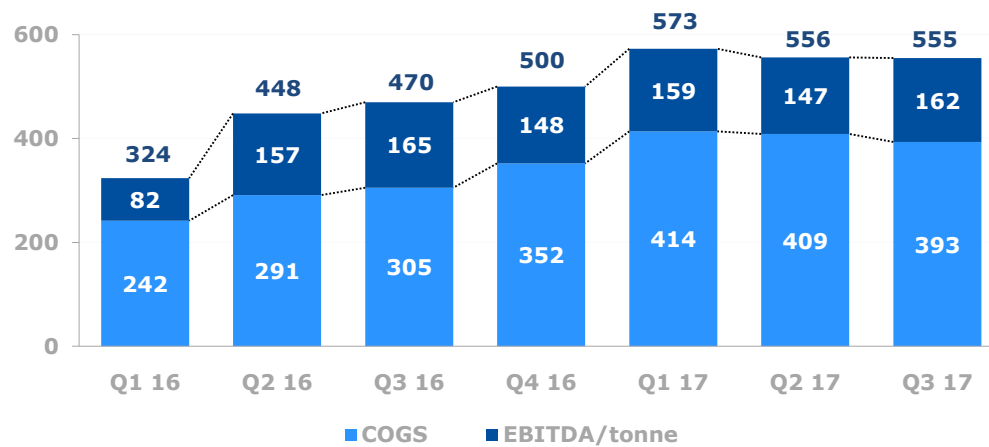
Revenue for 2017 amounted to USD 2,012 mln, up 4.5% on Q2 2017

Key growth factors included increase in sales volumes, reduction in the volume of finished product on inventory in warehouses, and stable USD steel prices

MMK Group's key financial highlights



EBITDA/t vs metal sale price USD/t

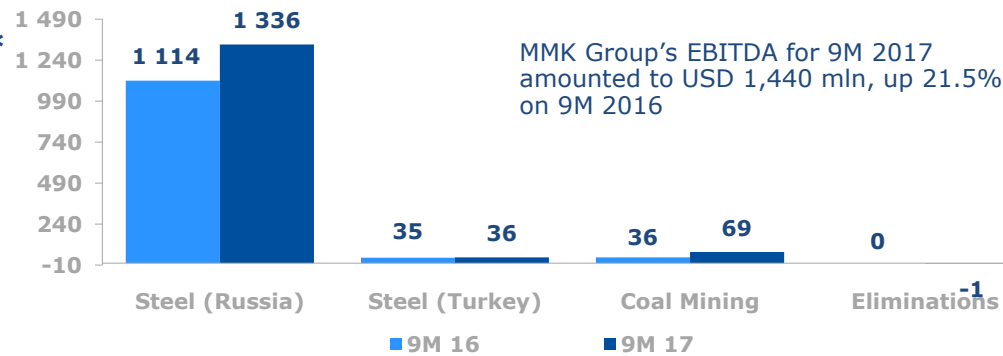


In Q3 2017, average sales price remained flat quarter-on-quarter, while EBITDA per tonne of steel grew 10.2%

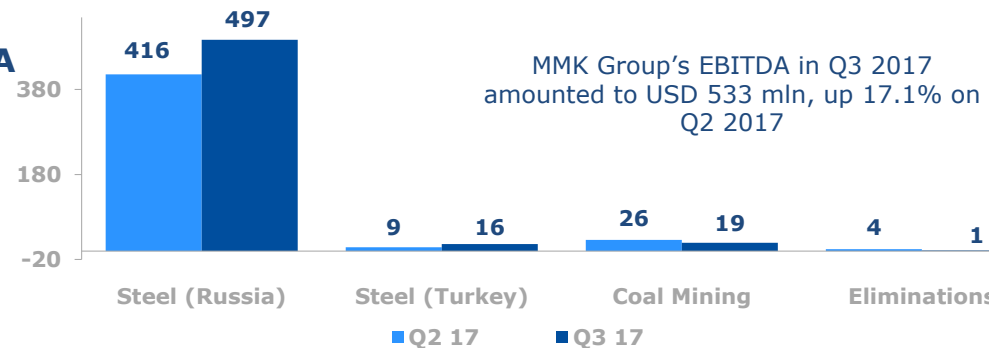
EBITDA of the Russian steel segment in 9M 2017 grew 19.9% year-on-year. This was due to the increased influence of growth in metal prices as compared to the effect of growth in raw materials costs

The coal segment's EBITDA in 9M 2017 nearly doubled year-on-year and amounted to USD 69 mln. This was due to the significant increase in coking coal prices on the global markets

Annual EBITDA* dynamics mln USD

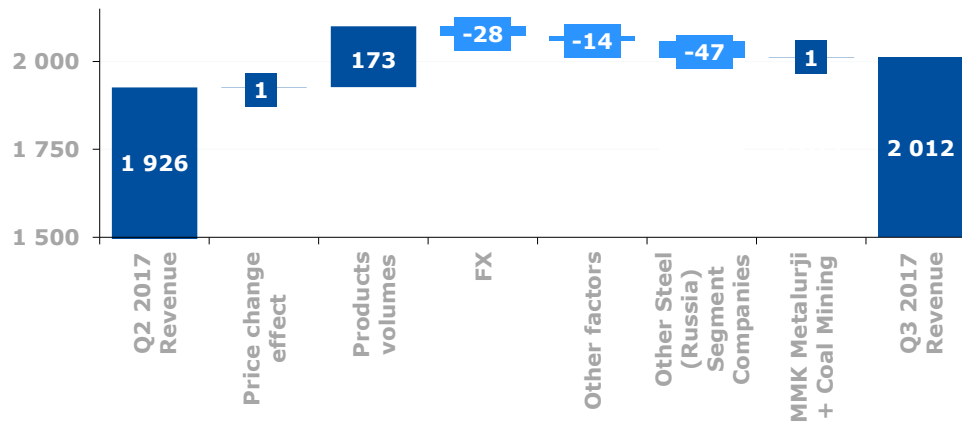


Quarterly EBITDA dynamics mln USD

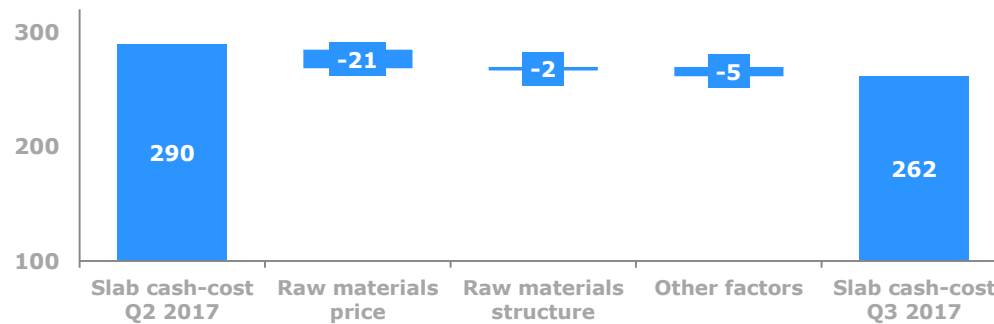


Analysis of key financial highlights

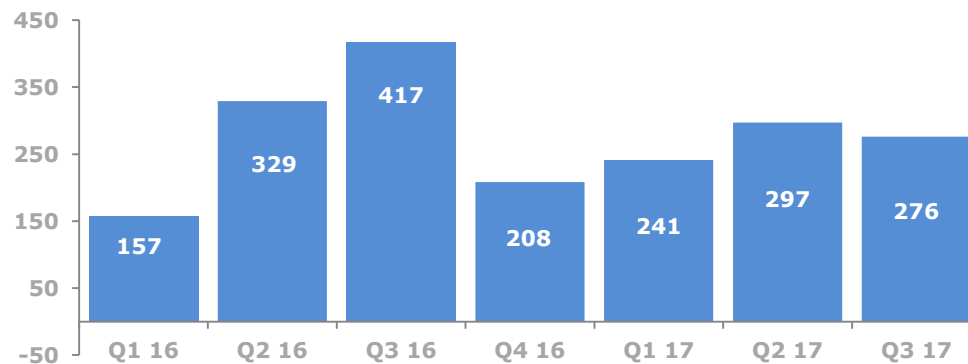
Analysis of revenue mIn USD



Cash-cost of slab performance USD/t



Net profit mIn USD



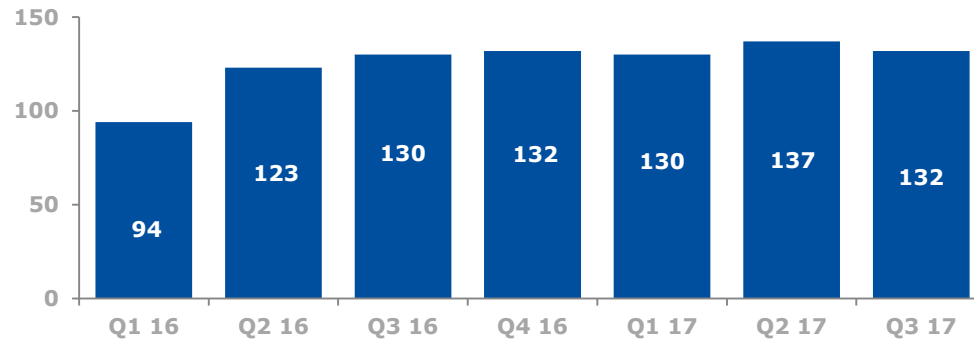
Key factors which affected revenue in Q3 2017 were higher sales volumes and stable high prices

Cash-cost of slab in Q3 2017 declined by USD 28 USD per tonne, or 9.7%. A key factor for the decline (by USD 21 per tonne) was a decrease in prices for key raw materials

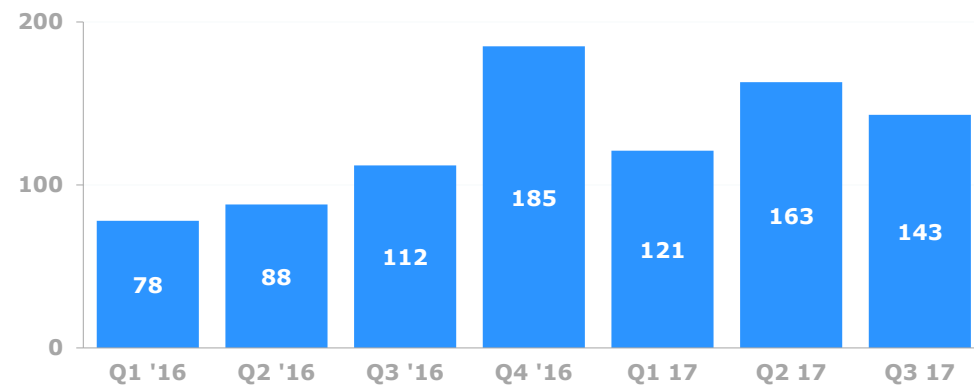
In Q3 2017, the Company's net profit amounted to USD 276 mln (down 7.1% on the previous quarter)

Depreciation and CAPEX

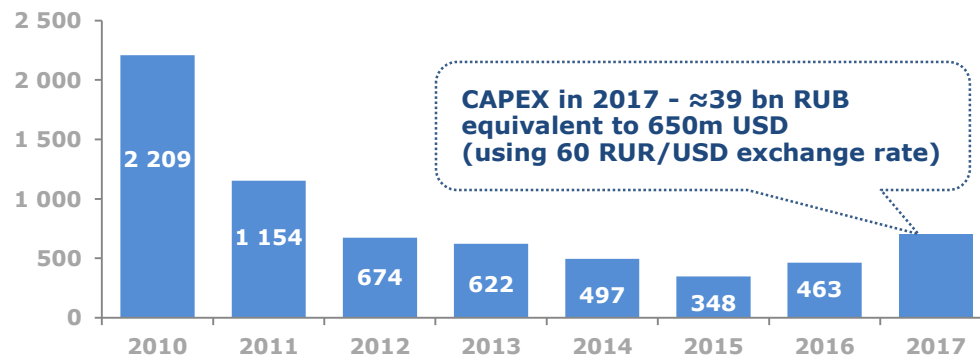
Depreciation
mln USD



Quarterly CAPEX
mln USD



Balanced approach to investments
mln USD



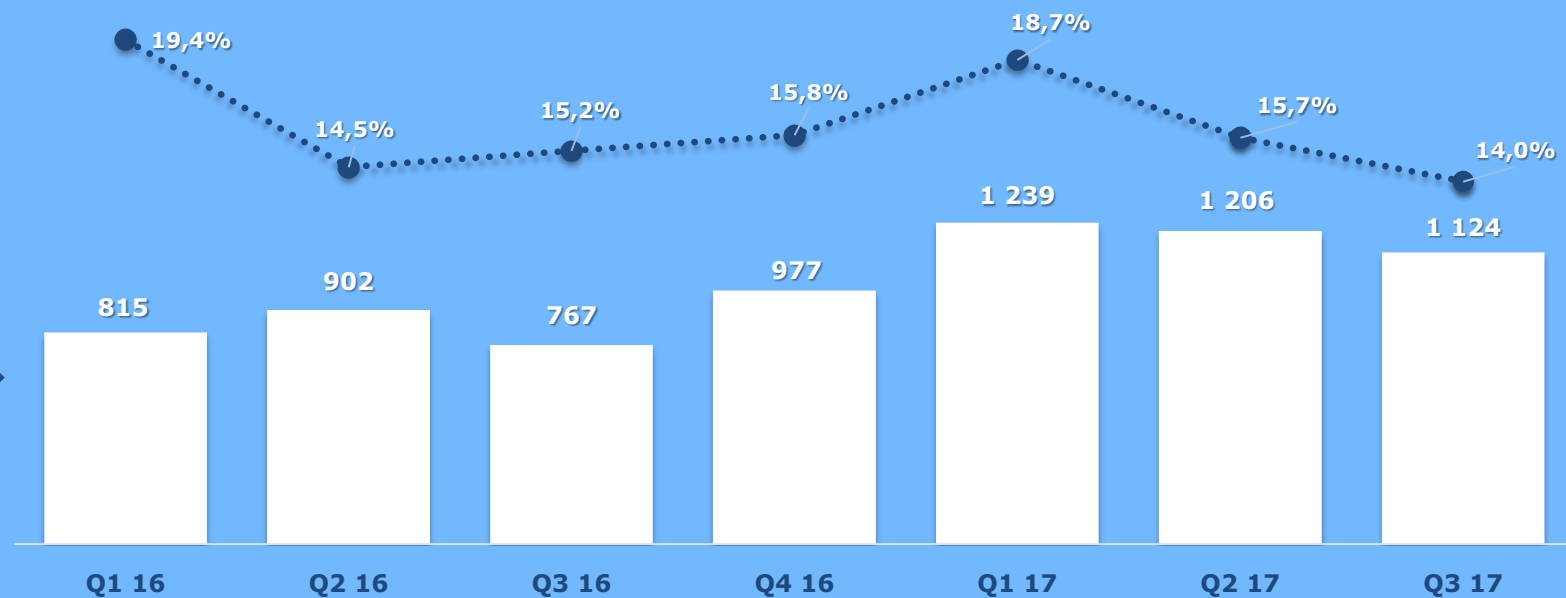
In Q3 2017, MMK Group's CAPEX amounted to USD 143 mln. The decrease compared to the previous quarter corresponds to the scheduled implementation of investment projects and is partially due to the weaker RUB exchange rate

2017 CAPEX is planned at around RUB 39 bln. Since a significant part of the investment is carried out in rubles, CAPEX in dollar terms will be affected by high exchange rate volatility

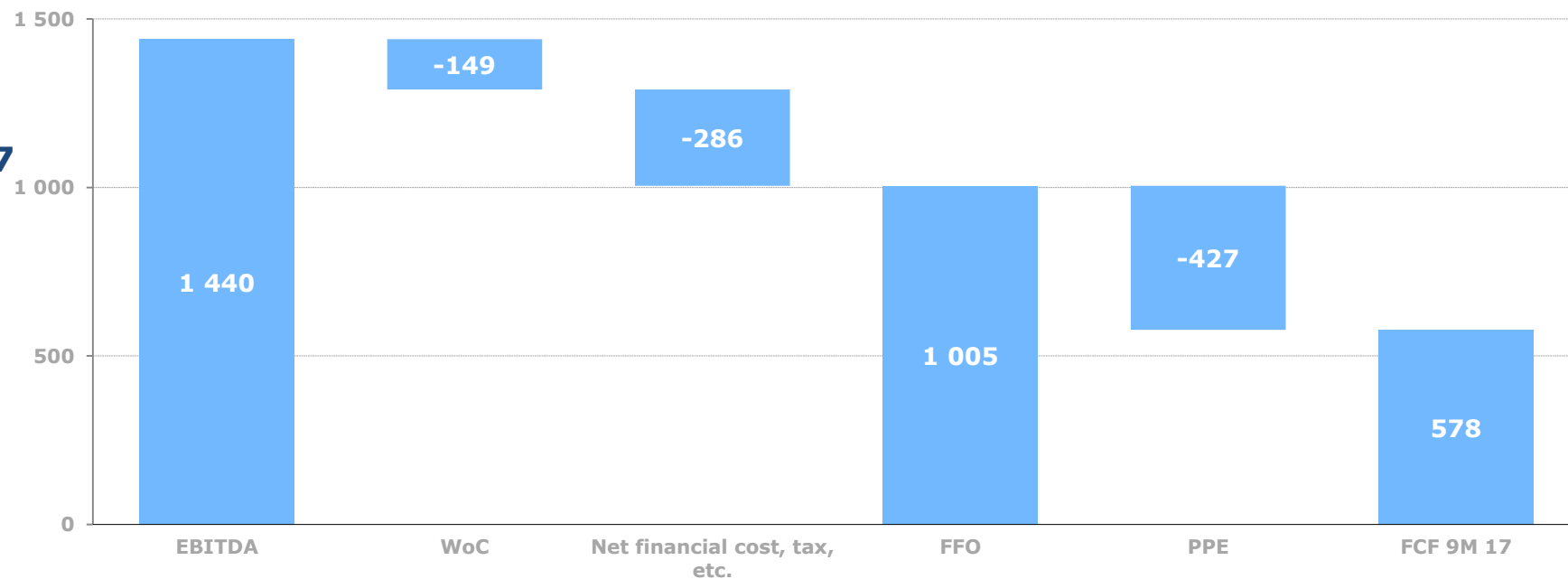
Sustainable generation of positive free cash flow (FCF)

As of Q3 2017, the working capital/revenue ratio was **14.0%**

Net working capital
mIn USD



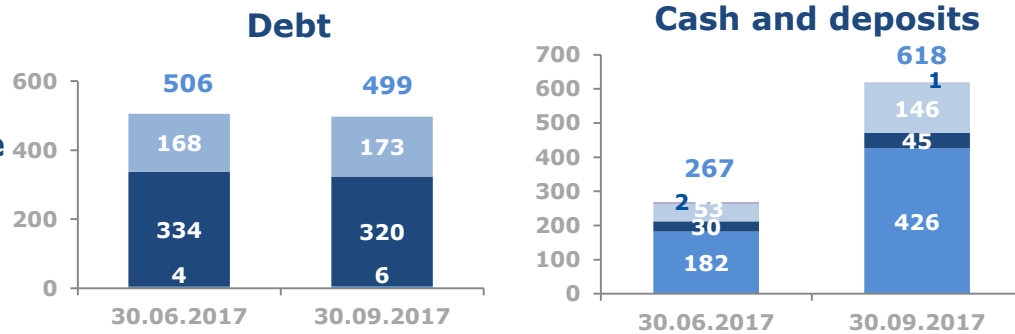
Sustainable generation of positive free cash flow (FCF), 9M 2017
mIn USD



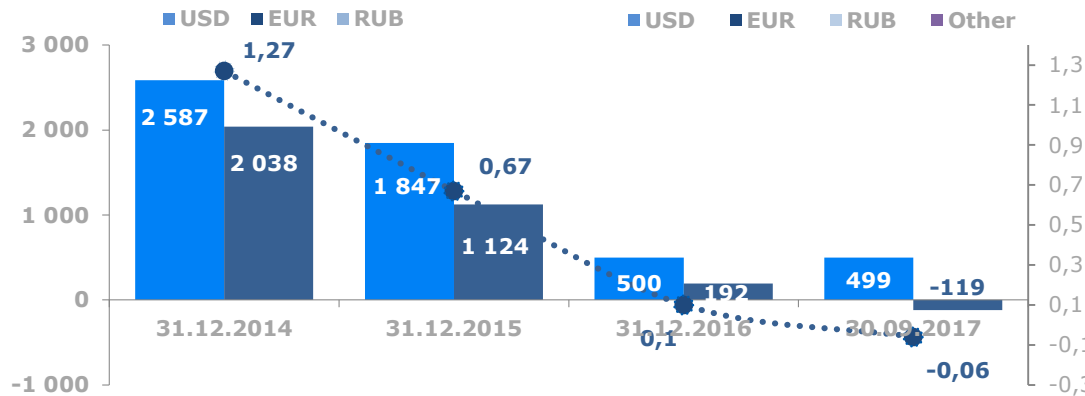


MMK Group's debt profile

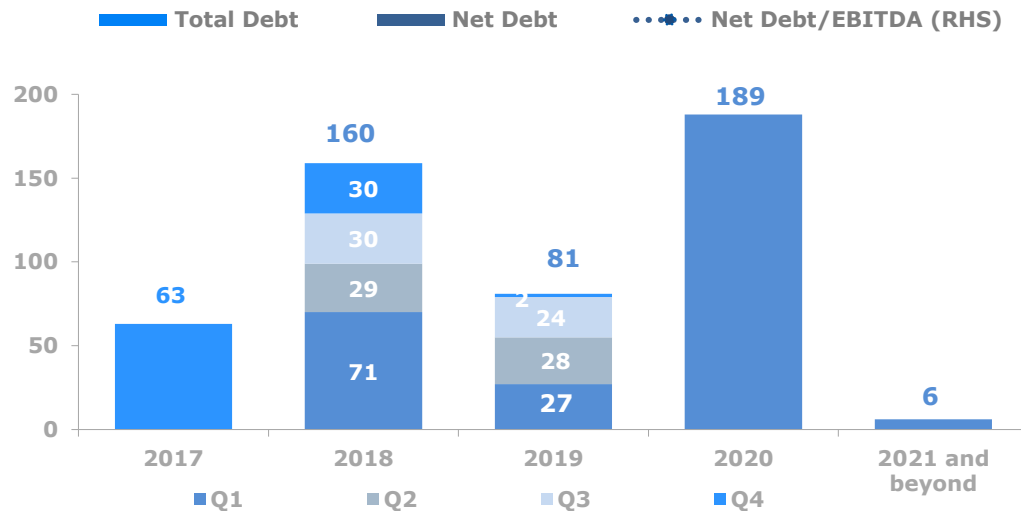
Debt and cash funds structure by currency
mln USD



High level of liquidity
mln USD



Debt maturity schedule
mln USD



Source: MMK

MMK Group's debt as of the end of Q3 2017 was USD 499 mln

The share of debt which is denominated in foreign currencies (USD, EUR) as of 30.09.2017 amounted to approx. 76%

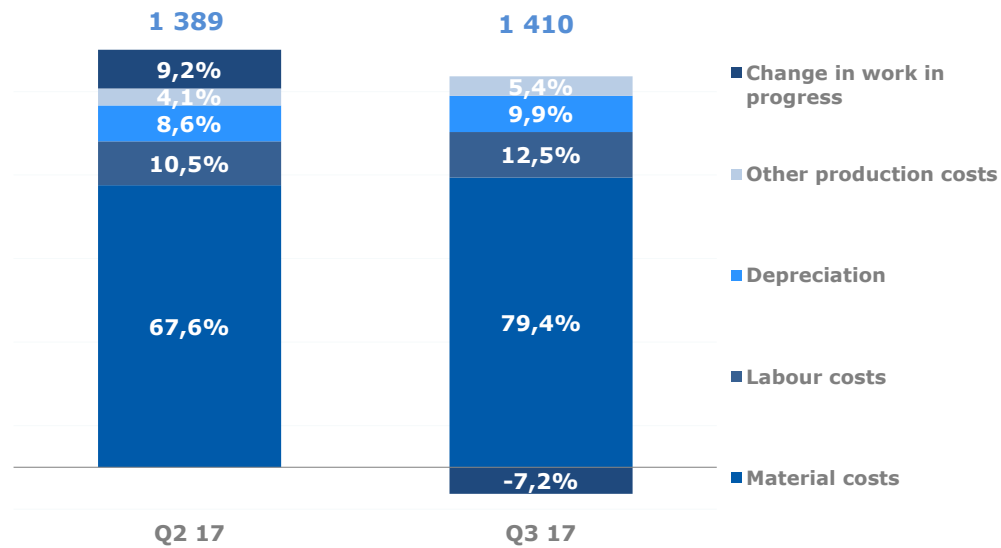
The cash volume on the balance (USD 618 mln) fully covers MMK Group's debt

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

Cost of sales and structure of material costs



MMK Group's cost of sales mln USD

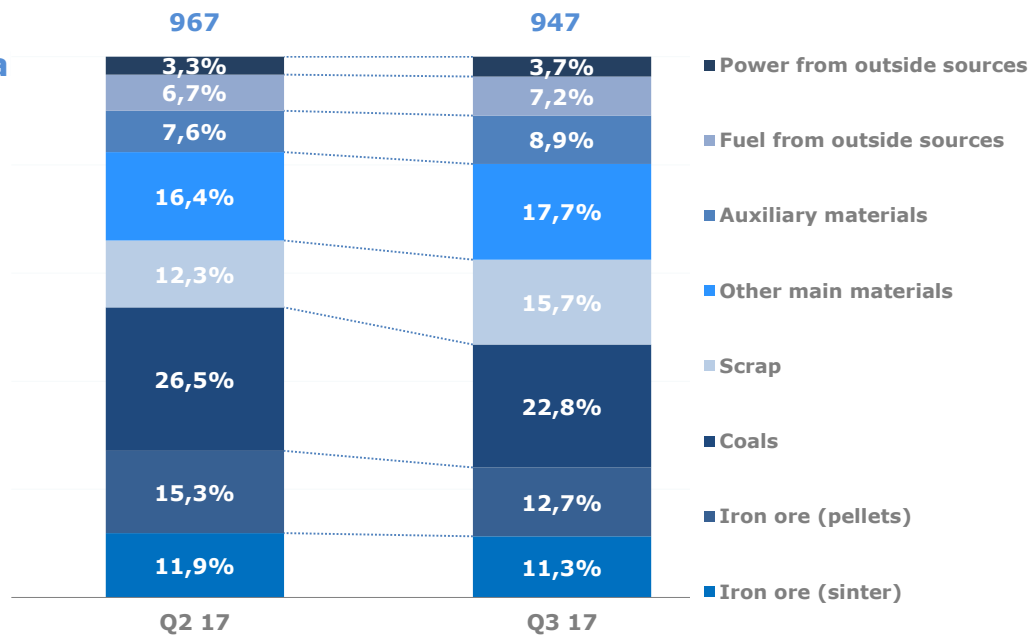


In Q3 2017, the share of scrap increased in the structure of MMK's material costs due to higher capacity utilisation of EAFs

At the same time, the share of coal decreased due to lower purchase prices for this product and weaker RUB exchange rate vs USD

Decrease in the share of iron ore was due to higher capacity utilisation rates at EAFs and lower purchasing price during the quarter

MMK's material costs mln USD



Dividends and comment on market situation

Dividends

High business profitability combined with the low debt burden and stable generation of positive cash flow have enabled the Company to **shift to quarterly dividend payments** (previously, dividends were paid on a semi-annual basis).

On 8 November 2017, the Company's Board of Directors recommended an extraordinary general meeting of shareholders (scheduled for 8 December 2017) to pay **RUB 1.111 (before taxes) per share in dividends for Q3 2017**.

Thus, the total dividend amount to be paid for Q3 2017 should equal approximately **USD 214 mln** (at the current exchange rate), or 59% of free cash flow for the period, which corresponds to a **dividend yield of 2.6%**.

Comments on market situation

Currently, the Company's management sees a seasonal weakening in domestic demand for steel, which should result in lower sales volumes in Q4 2017.

With regards to financial performance, management expects higher average sales prices to partially compensate for lower sales volumes.



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