



**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

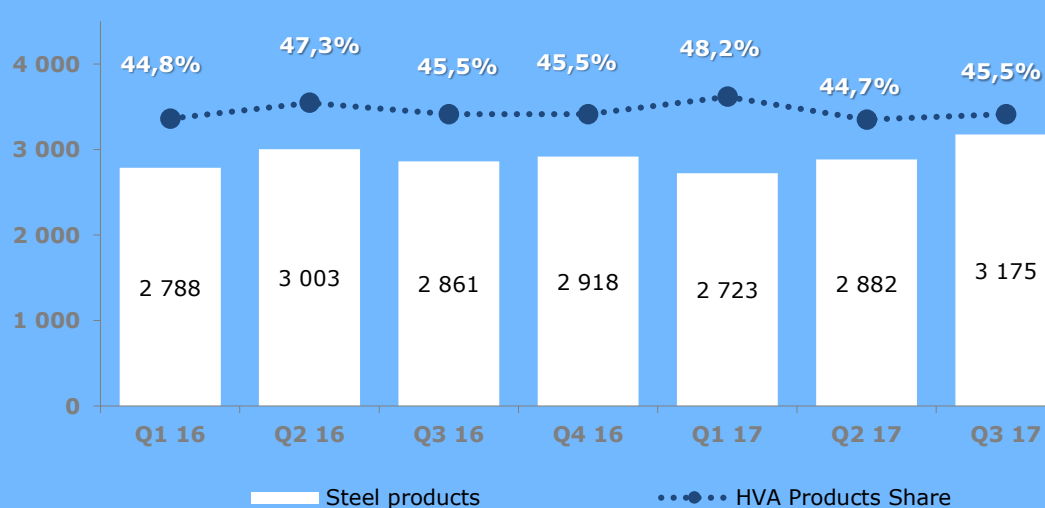


Key production indicators, ths tonnes

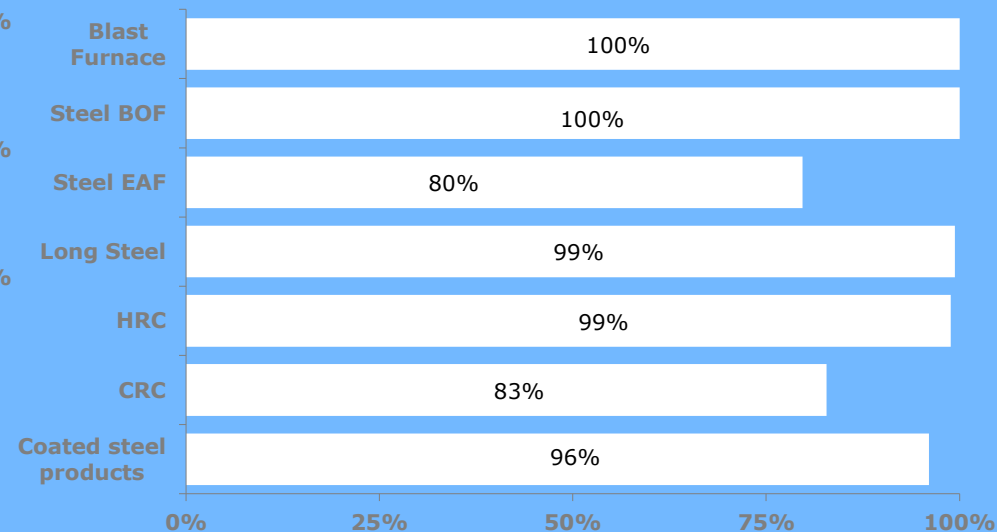
	Q3'17	Q2'17	%	9M'17	9M'16	%
Pig iron	2,559	2,578	-0.8%	7,509	7,283	3.1%
Crude steel	3,321	3,182	4.4%	9,569	9,387	1.9%
MMK	3,321	3,182	4.4%	9,569	9,387	1.9%
Finished products incl.	3,175	2,882	10.2%	8,759	8,652	1.2%
MMK	3,091	2,780	11.2%	8,546	8,484	0.7%
MMK-Metiz*	117	111	4.8%	332	306	8.5%
MMK Metalurji*	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



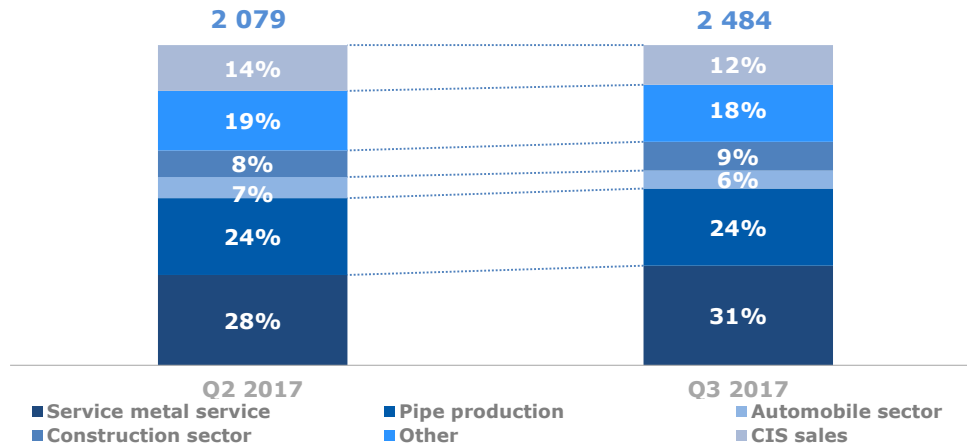
Key capacities utilisation rates, Q3 2017, %



MMK Group's sales structure on key markets

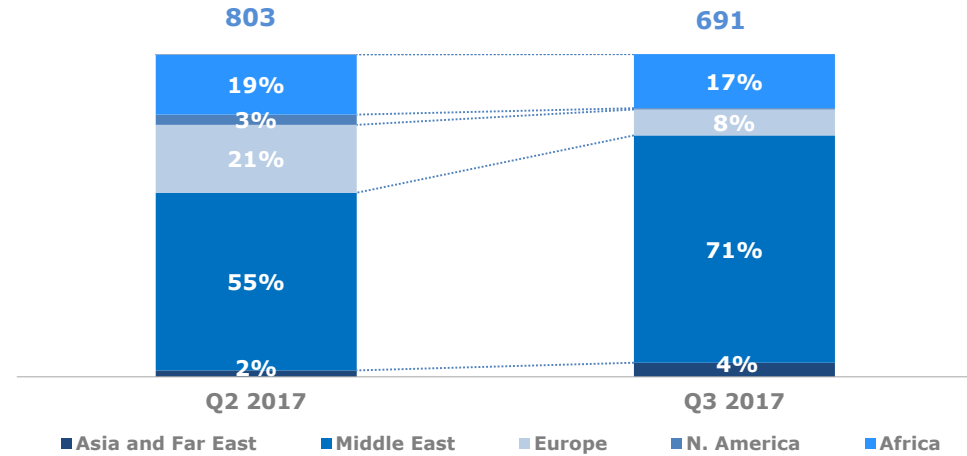
Russia and CIS market sales by sector

ths tonnes



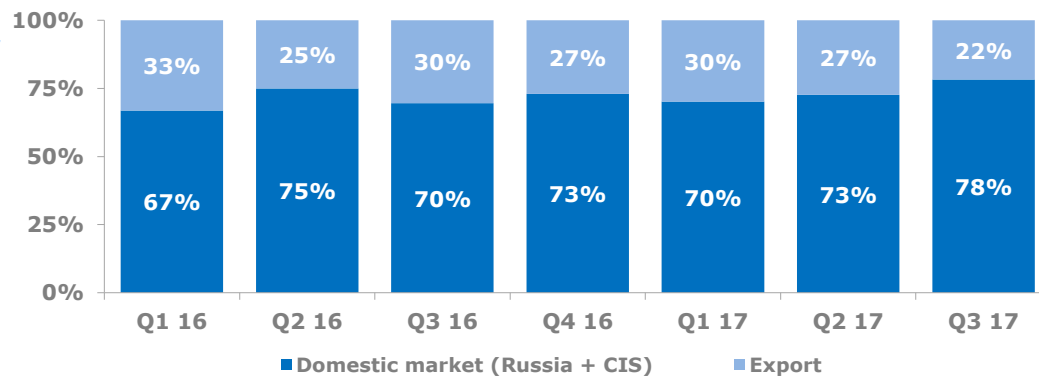
International market sales by region

ths tonnes



Sales share by market

ths tonnes

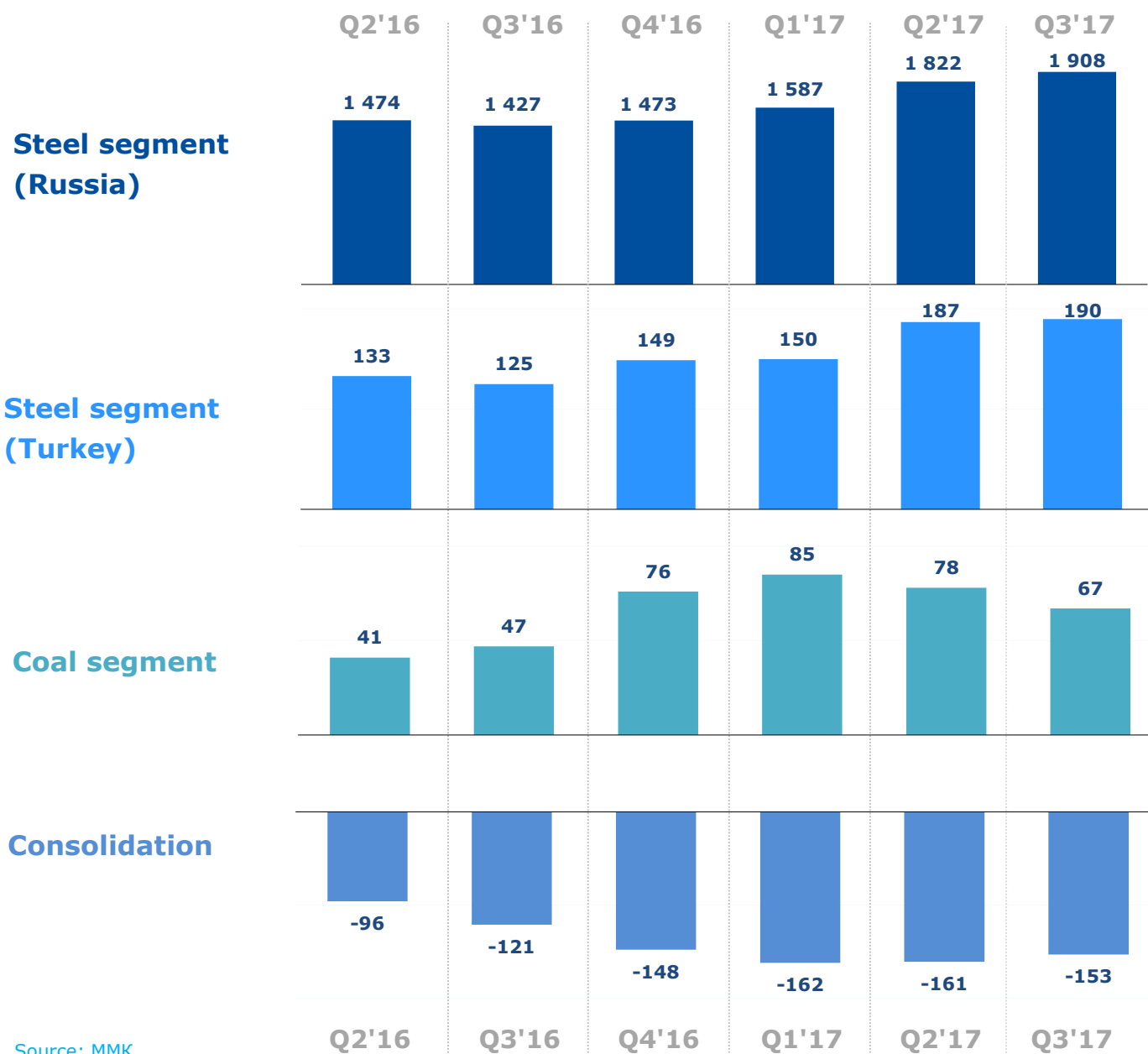


Source: MMK

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

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

MMK Group's revenue by segment, mln USD



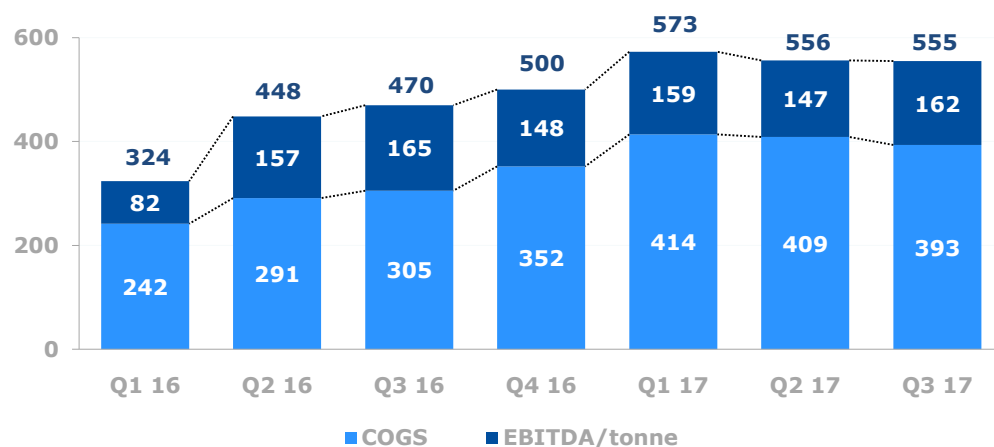
Revenue for 2017 amounted to USD 2,012 mln, up 4.5% on Q2 2017

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

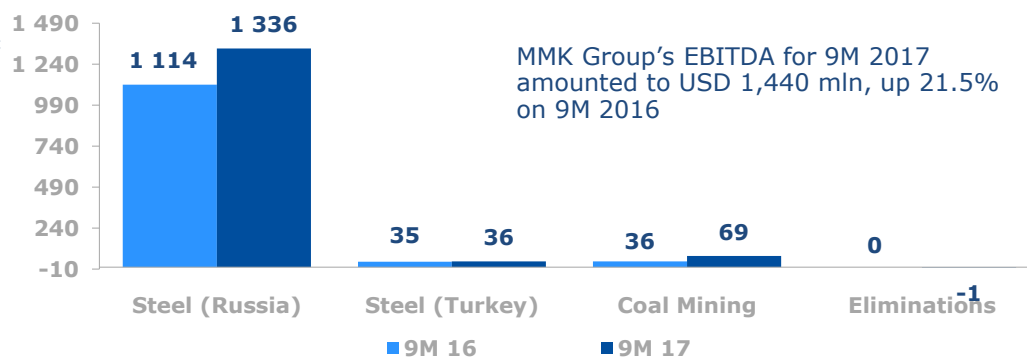


In Q3 2017, average sales price remained flat quarter-on-quarter, while EBITDA per tonne of steel grew 10.2%

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

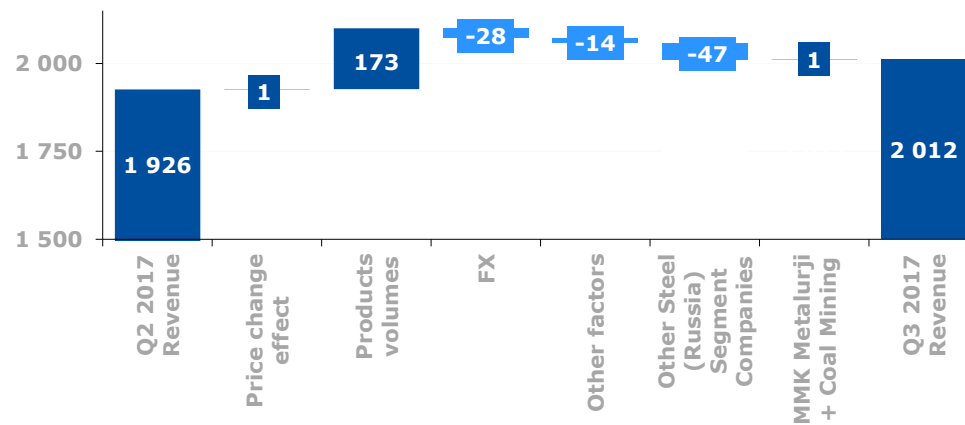


Quarterly EBITDA dynamics mln USD

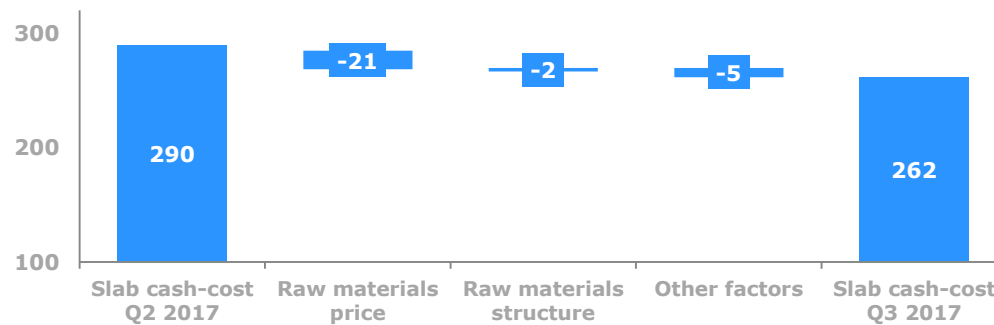


Analysis of key financial highlights

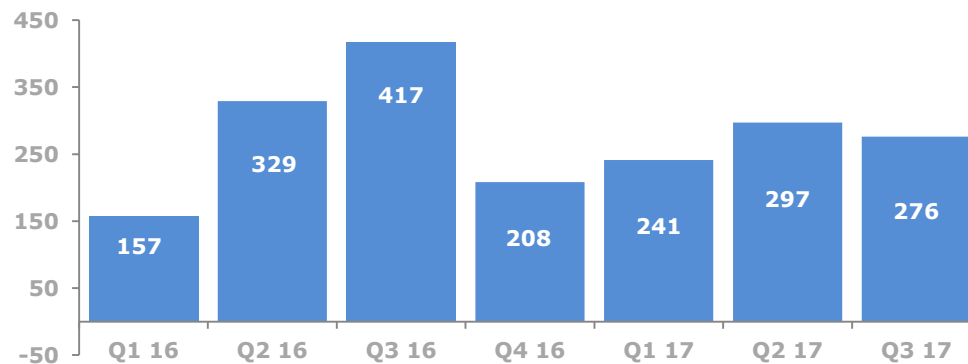
Analysis of revenue mIn USD



Cash-cost of slab performance USD/t



Net profit mIn USD



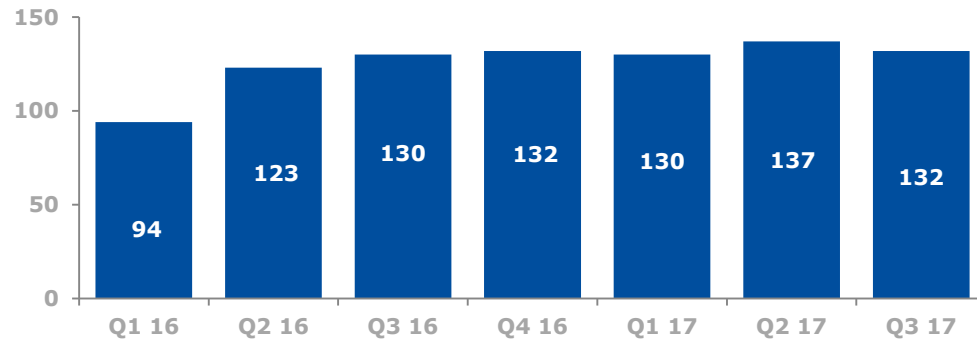
Key factors which affected revenue in Q3 2017 were higher sales volumes and stable high prices

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

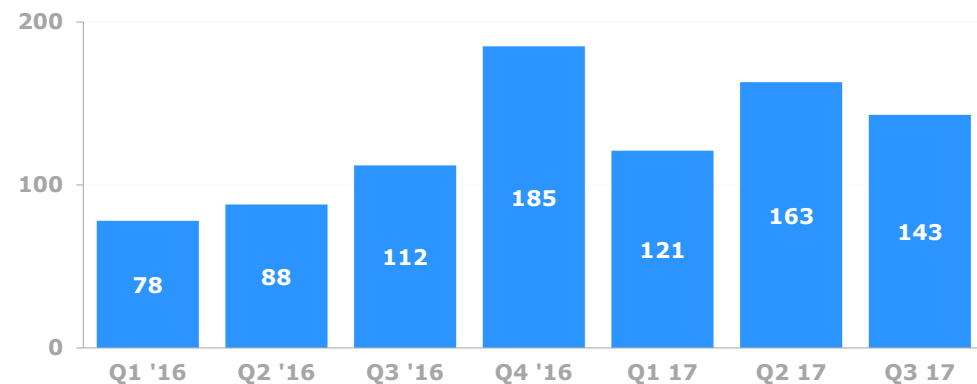
In Q3 2017, the Company's net profit amounted to USD 276 mln (down 7.1% on the previous quarter)

Depreciation and CAPEX

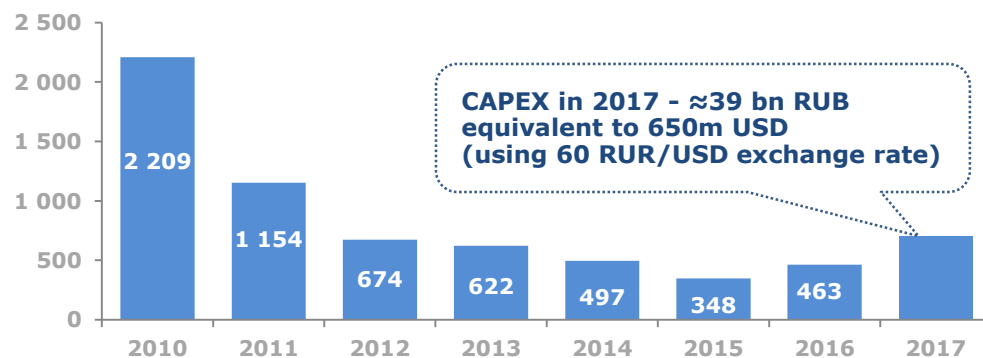
Depreciation
mln USD



Quarterly CAPEX
mln USD



Balanced approach to investments
mln USD



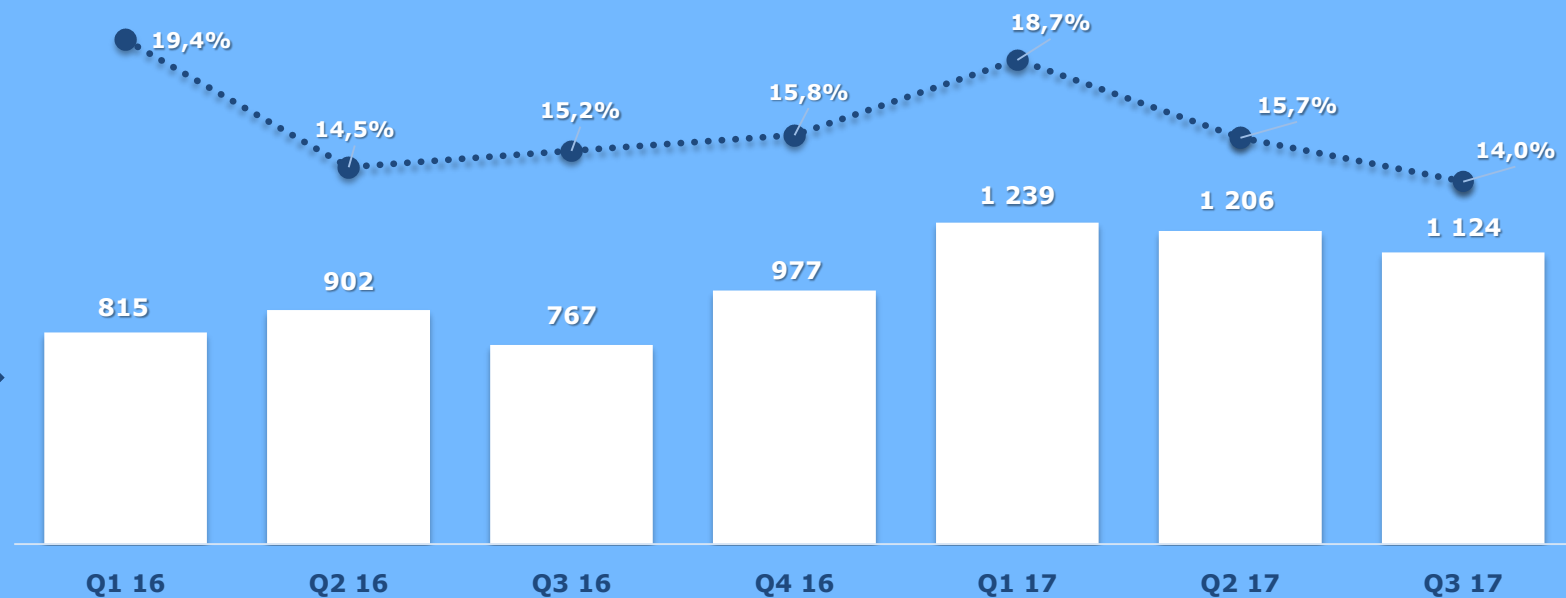
In Q3 2017, MMK Group's CAPEX amounted to USD 143 mln. The decrease compared to the previous quarter corresponds to the scheduled implementation of investment projects and is partially due to the weaker RUB exchange rate

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

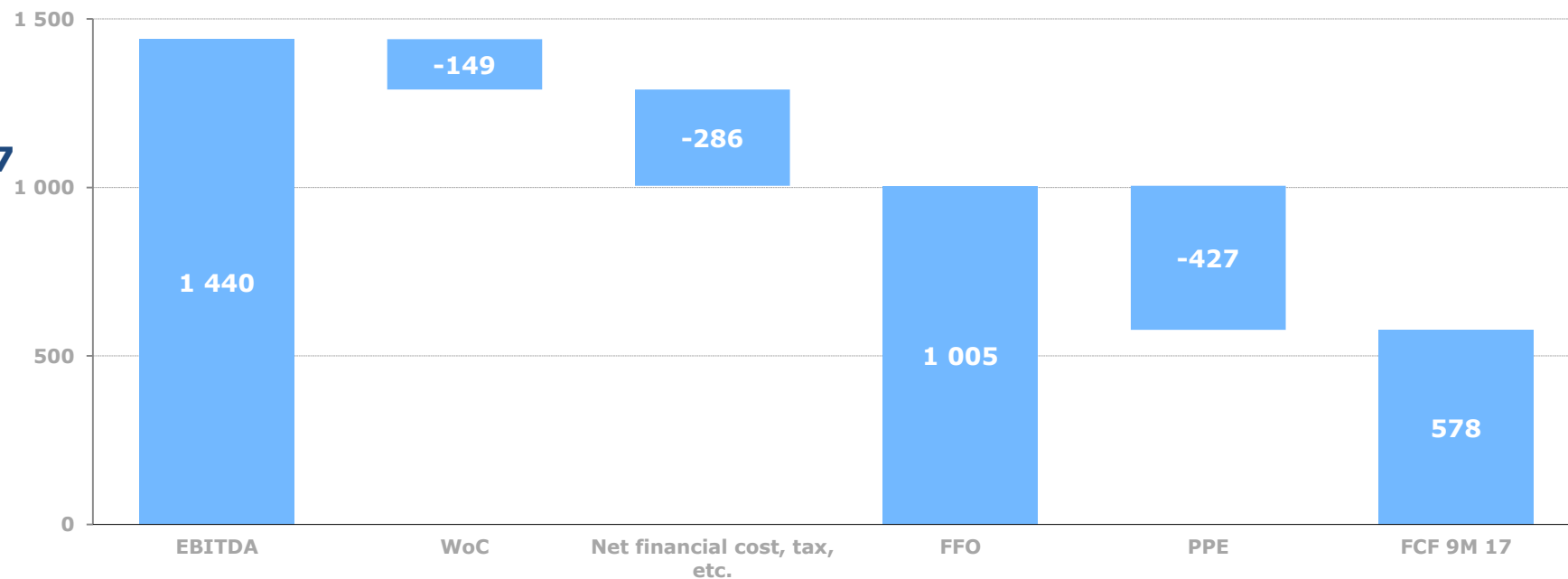
Sustainable generation of positive free cash flow (FCF)

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

Net working capital
mIn USD



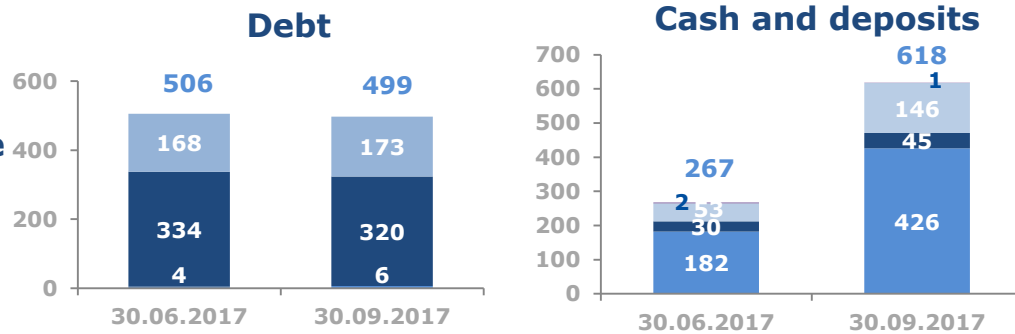
Sustainable generation of positive free cash flow (FCF), 9M 2017
mIn USD



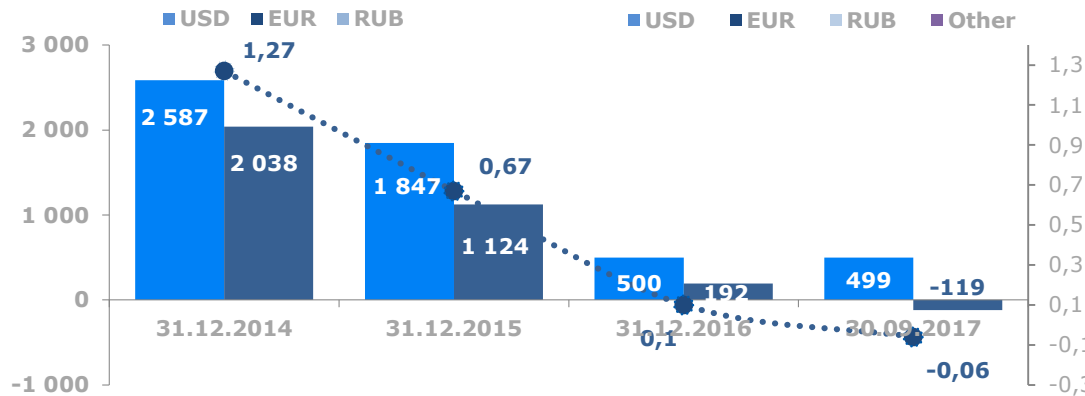


MMK Group's debt profile

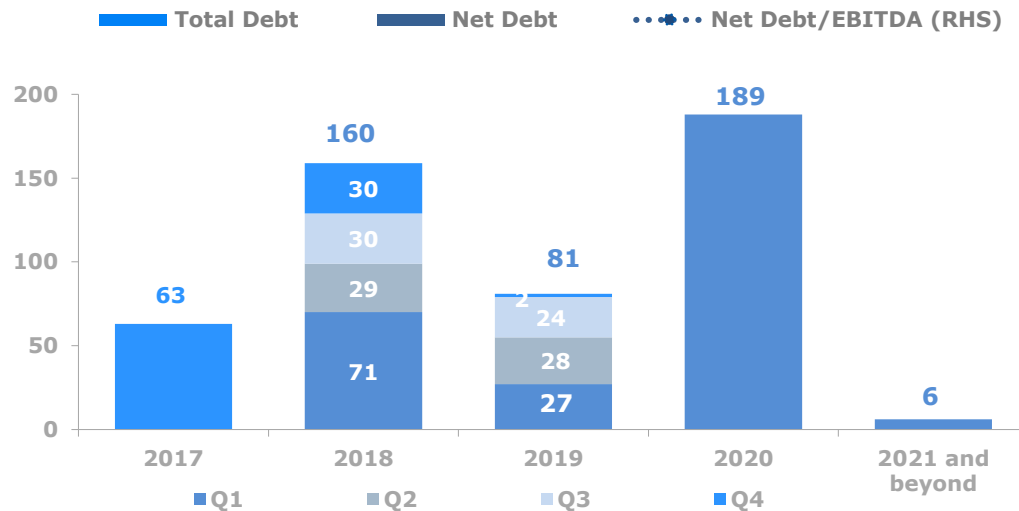
Debt and cash funds structure by currency
mln USD



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%

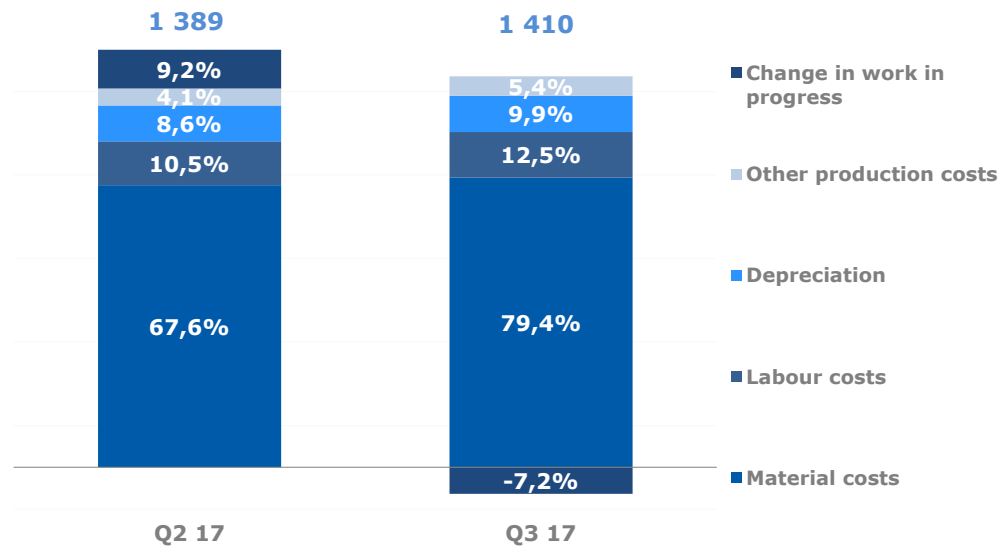
The cash volume on the balance (USD 618 mln) fully covers MMK Group's debt

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

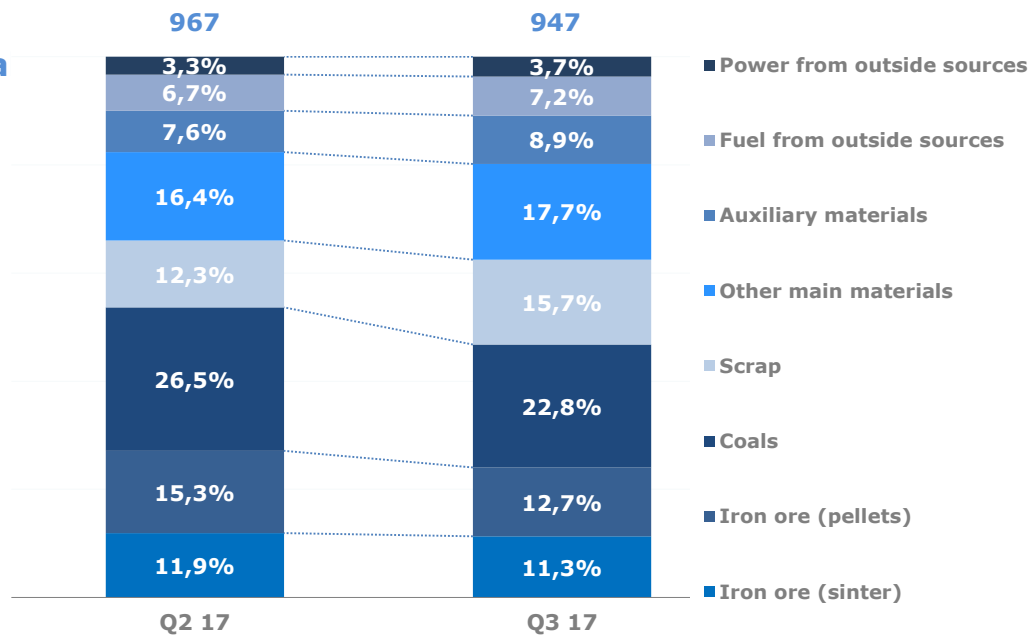


In Q3 2017, the share of scrap increased in the structure of MMK's material costs due to higher capacity utilisation of EAFs

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.



- 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 BASING ON THE ASSUMPTIONS AND ASSESSMENTS, WHICH MAY OCCUR FAULTY, THOUGH THE COMPANY CONSIDERS 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.