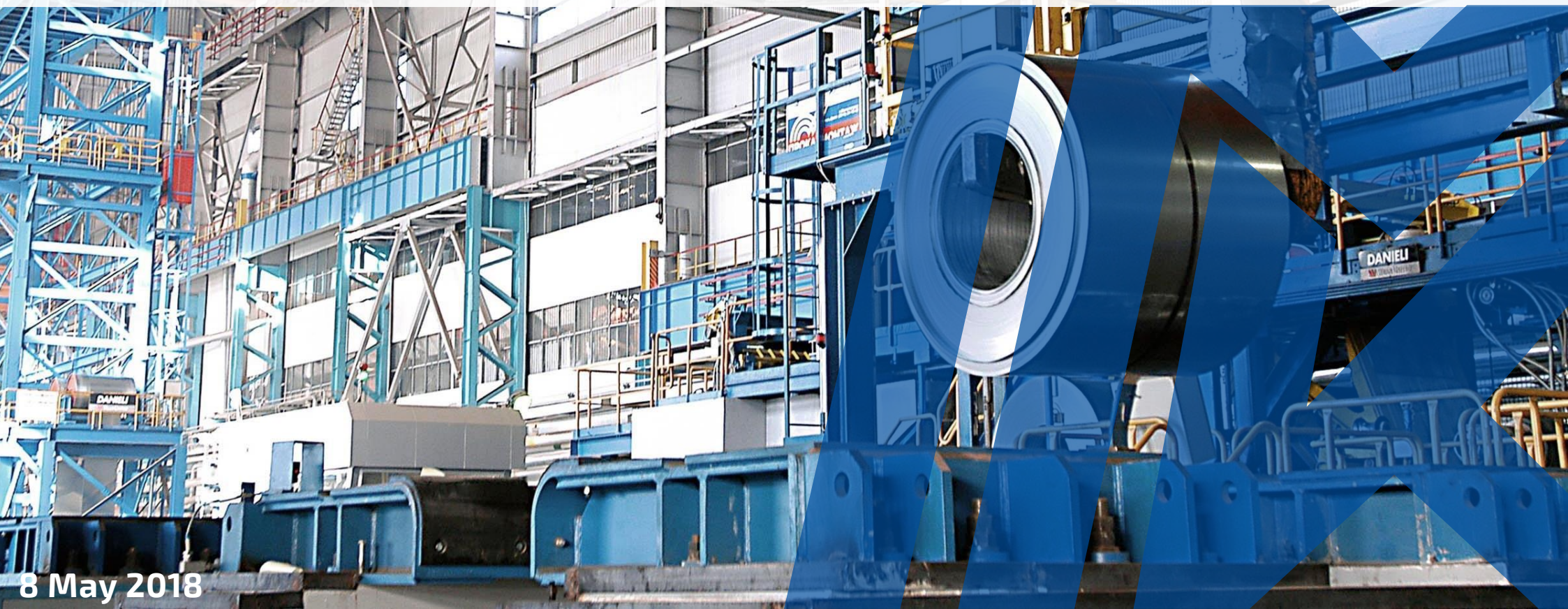




**MAGNITOGORSK  
IRON & STEEL  
WORKS**

# **IFRS financial statements for Q1 2018**



**8 May 2018**



## Q1 2018 financial highlights vs Q4 2017 and Q1 2017

Revenue	<b>USD 2,055 mln</b>	✓ up 5.5% on Q4 2017	✓ up 23.8% on Q1 2017
Cost of sales	<b>USD 1,422 mln</b>	✗ up 9.6% on Q4 2017	✓ up 21.4% on Q1 2017
EBITDA	<b>USD 560 mln</b>	✗ down 5.4% on Q4 2017	✓ up 23.9% on Q1 2017
EBITDA margin	<b>27.3%</b>	✗ down 3.1 p.p. on Q4 2017	✓ up 0.1 p.p. on Q1 2017
Net profit	<b>USD 279 mln</b>	✗ down 25.6% on Q4 2017	✓ up 15.8% on Q1 2017
Slab cash cost	<b>300 USD/tonne</b>	✗ up 7.1% on Q4 2017	✓ down 0.3% on Q1 2017
Free cash flow (FCF)	<b>USD 145 mln</b>	✓ up 25.0% on Q4 2017	✓ up 9.7x on Q1 2017
CAPEX	<b>USD 221 mln</b>	down 6.8% on Q4 2017	up 82.6% on Q1 2017

## Dividends

The strong financial position and impressive profitability enable the Board of Directors to regularly distribute profit among shareholders.

On 7 May 2018, MMK's Board of Directors recommended that the Extraordinary General Meeting of Shareholders pay dividends for Q1 2018 of RUB 0.801 per share (before taxes).

Thus, the dividends recommended to be paid for Q1 2018 would amount to approximately USD 145 mln (based on the current exchange rate) or 100% of FCF for the period.

# Key highlights for MMK Group

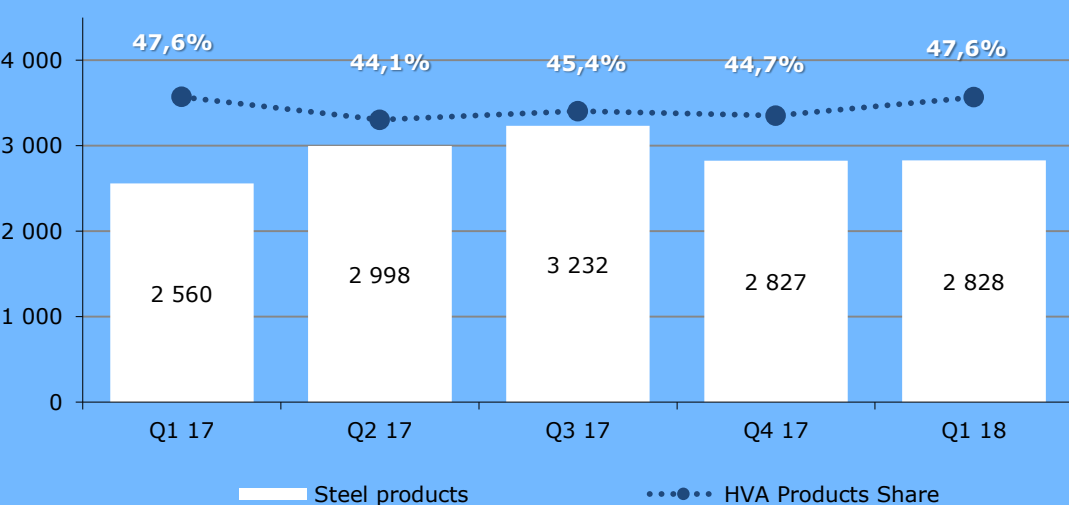


## Key indicators, ths tonnes

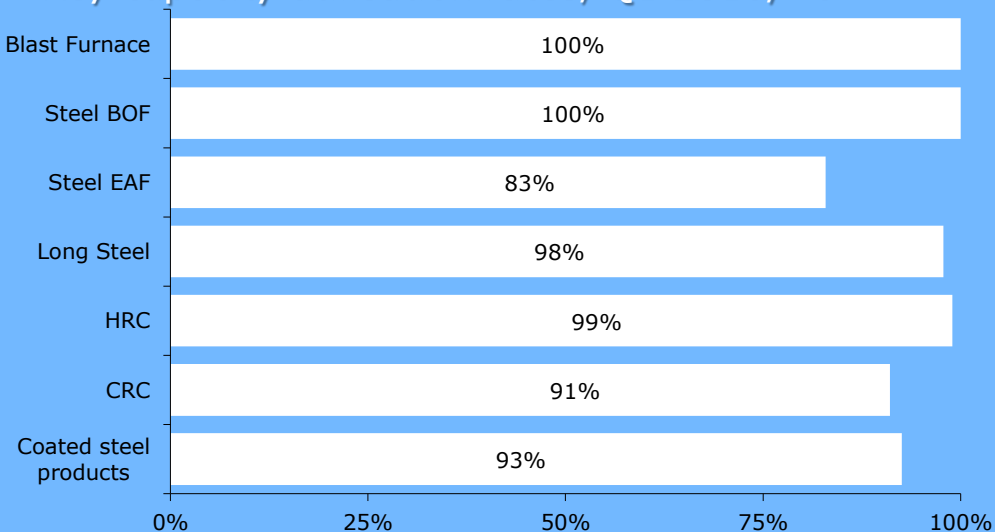
	Q1 2018	Q4 2017	%	Q1 2018	Q1 2017	%
<b>Pig iron</b>	2,404	2,654	-9.4%	2,404	2,372	1.3%
<b>Crude steel, including</b>	3,147	3,291	-4.4%	3,147	3,066	2.6%
MMK	3,147	3,291	-4.4%	3,147	3,066	2.6%
<b>Sales of finished products, including</b>	2,828	2,827	0%	2,828	2,560	10.5%
Steel (Russia)	2,592	2,607	-0.6%	2,592	2,350	10.3%
Steel (Turkey)	235	220	6.8%	235	210	11.9%
<b>HVA products</b>	1,345	1,264	6.4%	1,345	1,219	10.3%
<b>Coking coal concentrate</b>	666	760	-12.4%	666	609	9.4%

\* - including made from MMK steel

## MMK Group finished products dynamics, ths tonnes

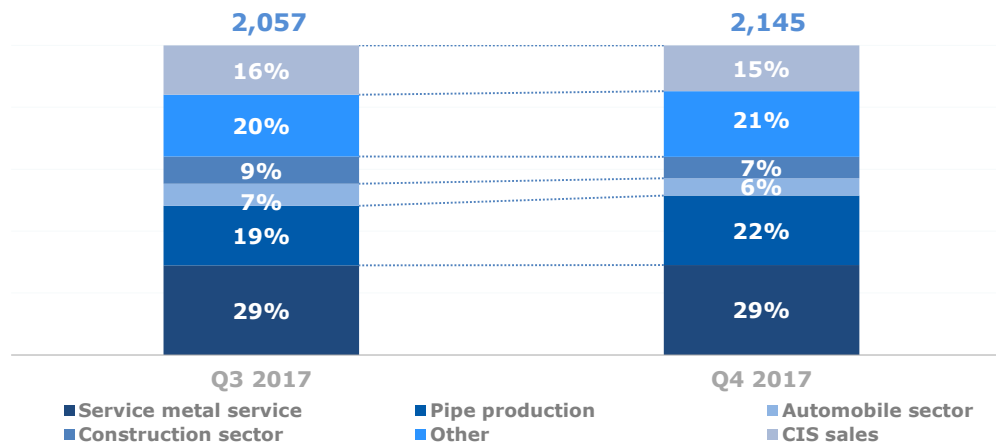


## Key capacity utilisation rates, Q1 2018, %

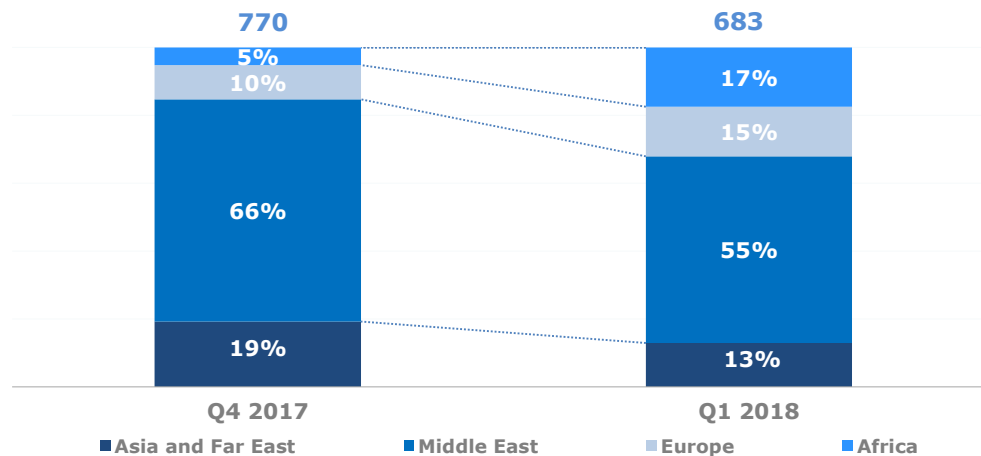


# MMK Group's sales structure on key markets

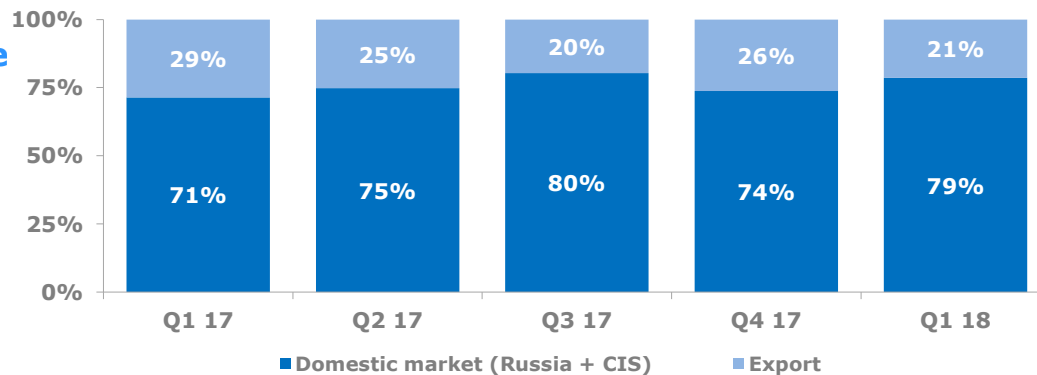
**Russia and CIS market sales by sector,**  
ths tonnes



**International market sales by region,**  
ths tonnes



**PJSC MMK sale share by market,**  
ths tonnes

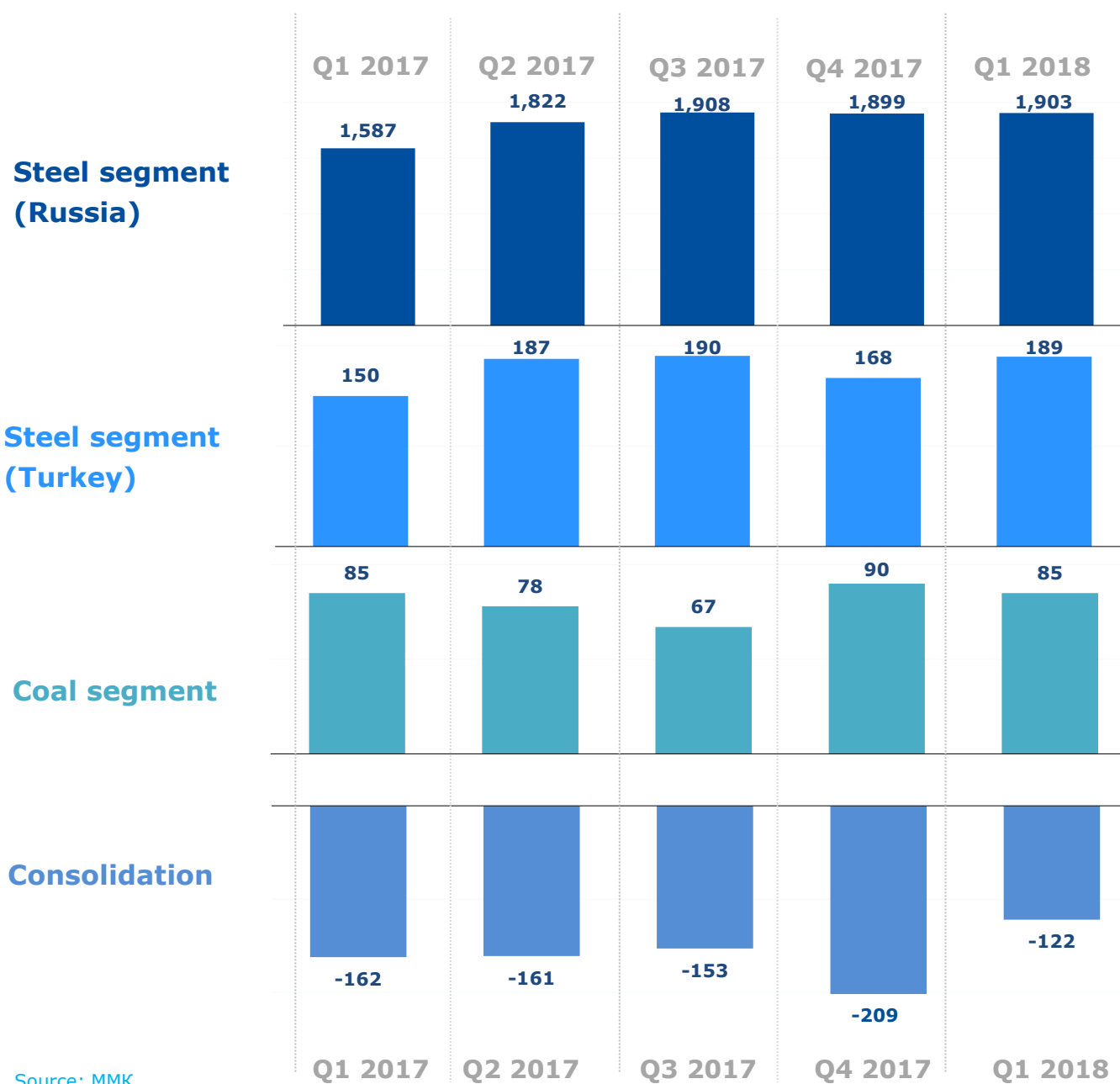


In Q1 2018, sales on the domestic market grew amid a seasonal increase in business activity

As a result, the share of domestic sales in the overall sales structure amounted to 79%

Thanks to favourable market environment in Q1 2018, the Company increased export metal sales to North Africa and Europe

# MMK Group's revenue by segment, mln USD



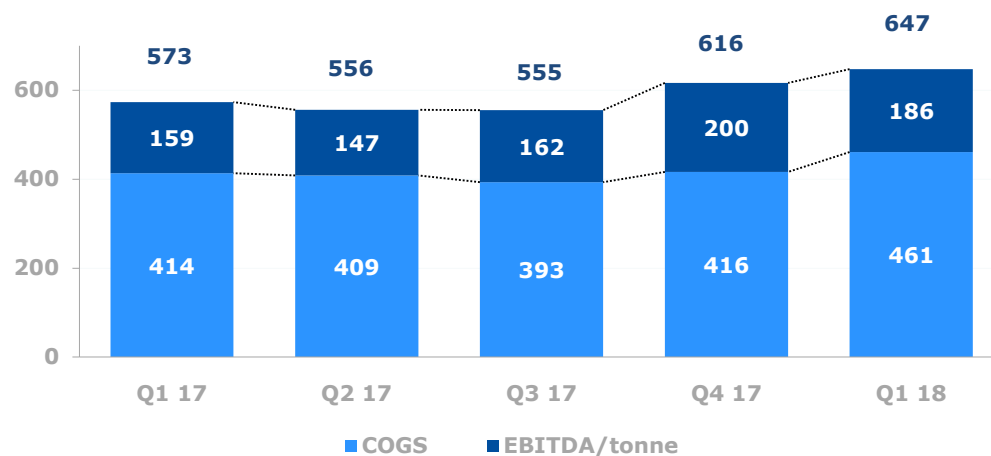
▶ The Group's revenue for Q1 2018 amounted to USD 2,055 mln USD, up 5.5% q-o-q

▶ Key factors of the growth in revenue included sustained high sales volumes amid improved sales mix and higher prices on the domestic market

# MMK Group's key financial highlights



EBITDA/t vs metal sale price, USD/t



In Q1 2018, average sales price grew 5.0% q-o-q, driven by higher sales on the domestic market and improved sales mix

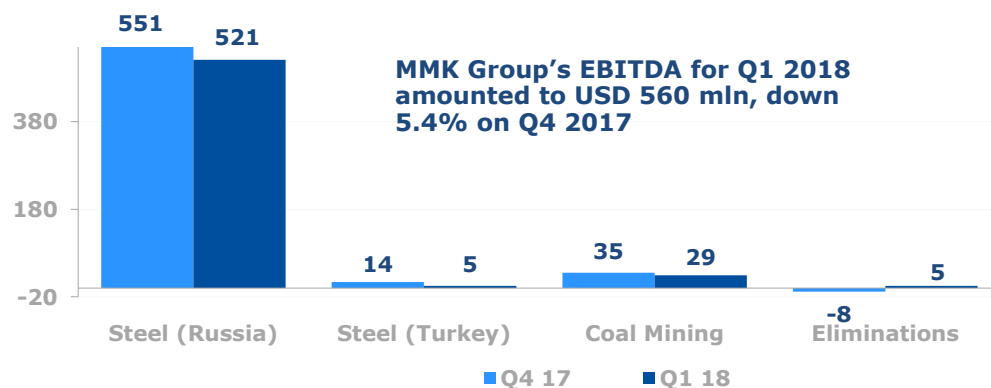
EBITDA per tonne declined to USD 186 due to higher prices for key raw materials in early 2018

Annual EBITDA dynamics, mln USD



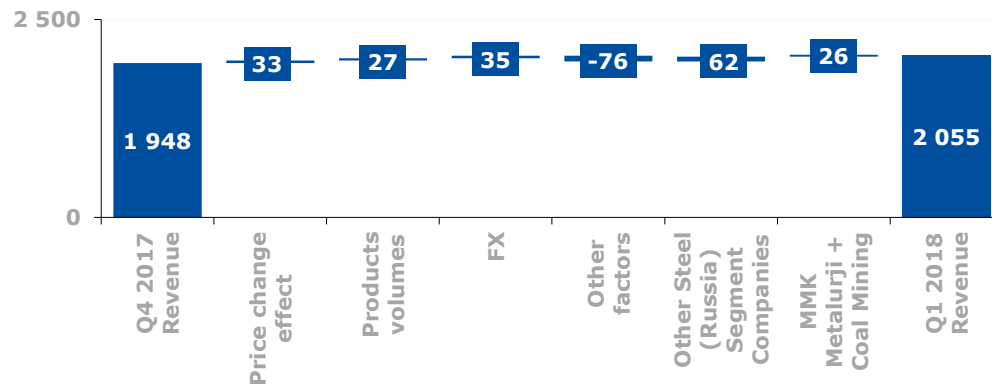
EBITDA of the Russian steel segment in Q1 2018 grew 23.2% y-o-y

Quarterly EBITDA dynamics, mln USD



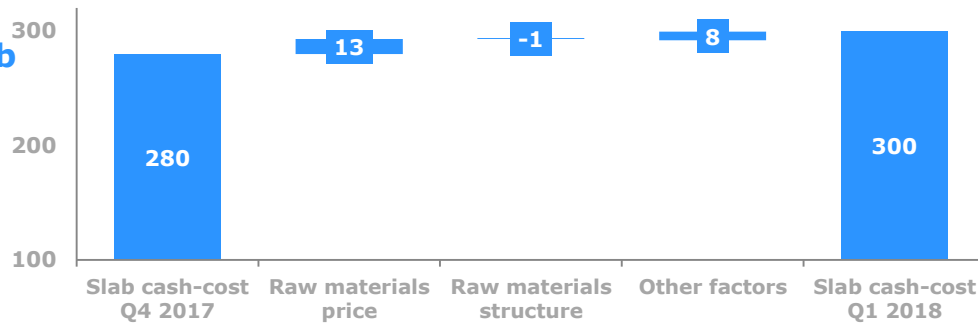
# Analysis of key financial highlights

## Analysis of revenue, mIn USD



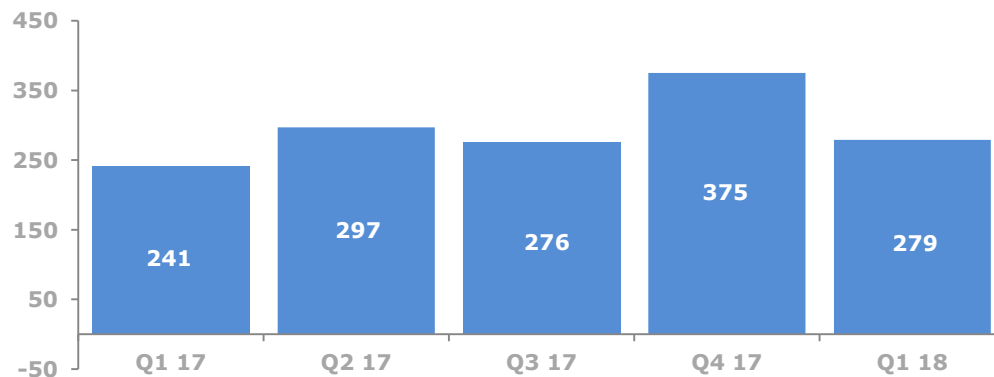
Key factors which affected revenue in Q1 2018 were higher sales volumes amid higher prices, as well as higher intragroup sales

## Cash cost of slab performance, USD/t



Cash cost of slab in Q1 2018 increased by USD 20 USD per tonne, or 7.1%. Key factors for the growth included higher prices for key raw materials and stronger RUB vs USD rate

## Net profit, mIn USD

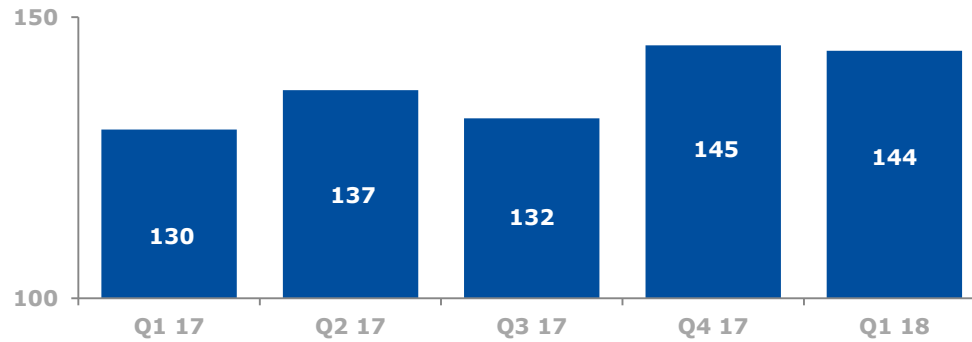


In Q1 2018, the Company's net profit remained strong at USD 279 mln

# Depreciation and CAPEX

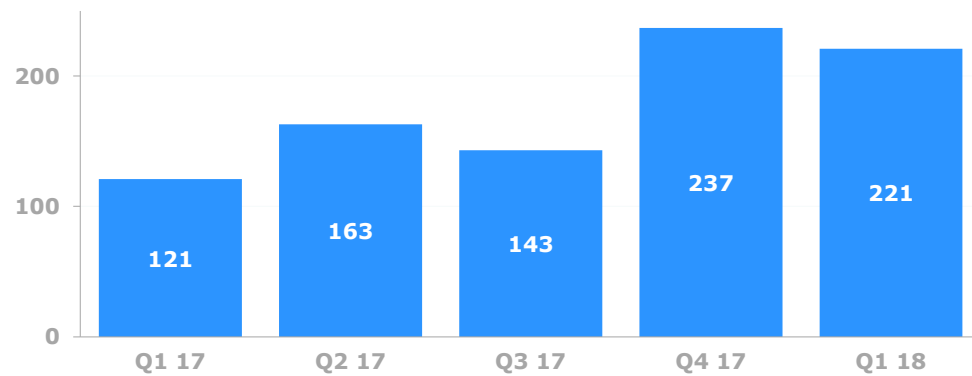


**Depreciation,**  
mIn USD



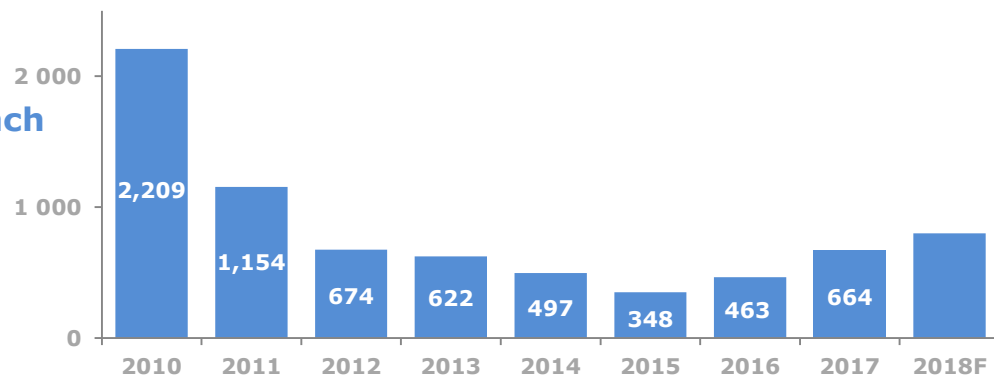
In Q1 2018, MMK Group's CAPEX amounted to USD 221 mln, down 6.8% q-o-q

**Quarterly CAPEX,**  
mIn USD



CAPEX for FY 2018 is expected to remain high due to the continued implementation of major investment projects as part of the Company's investment programme

**Balanced approach  
to investments,**  
mIn USD

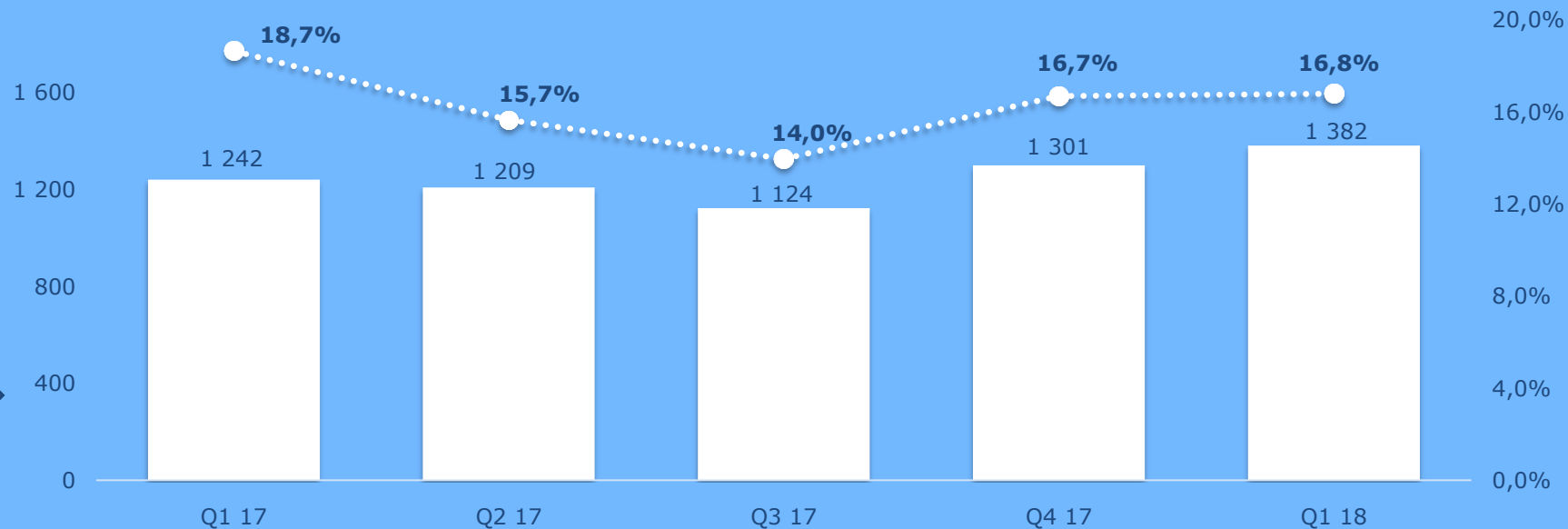




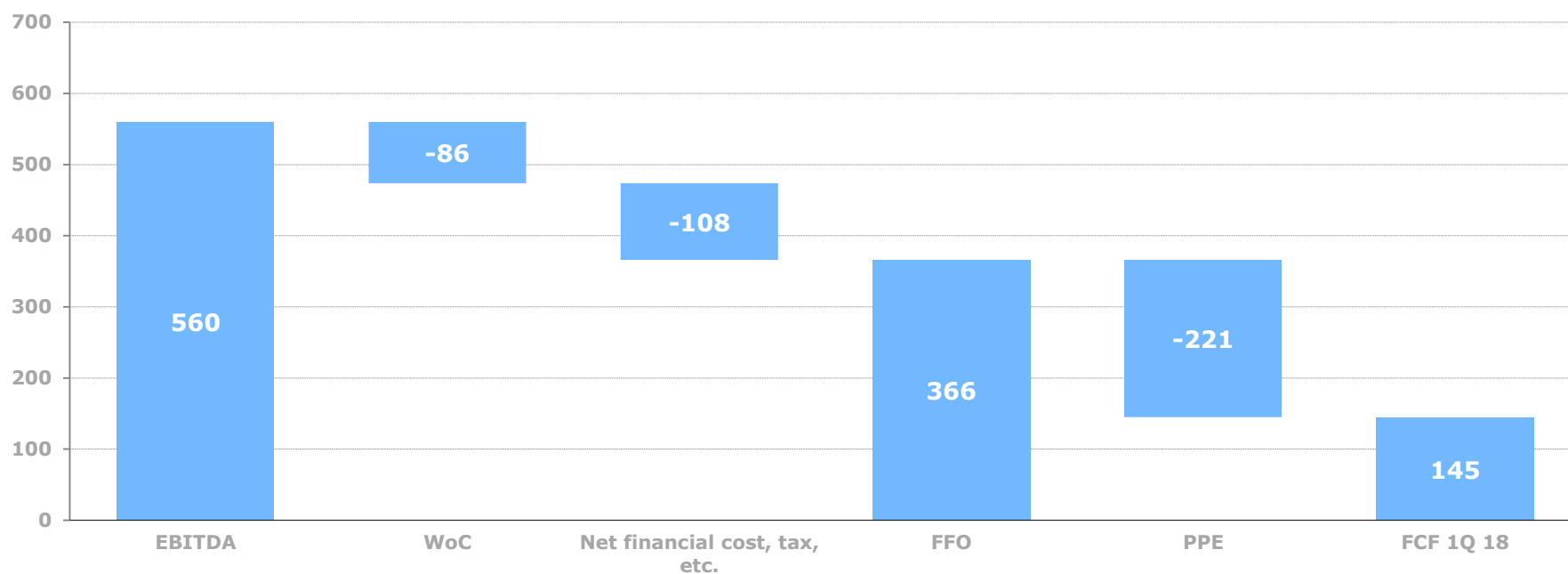
# Sustainable generation of positive free cash flow (FCF)

As of Q1 2018, the working capital/revenue ratio was **16.8%**

Net working capital,  
mIn USD



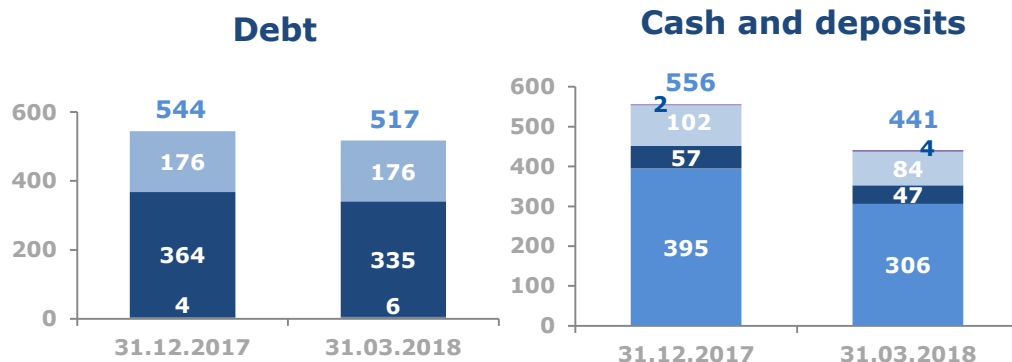
Sustainable generation of positive free cash flow (FCF) in Q1 2018, mIn USD



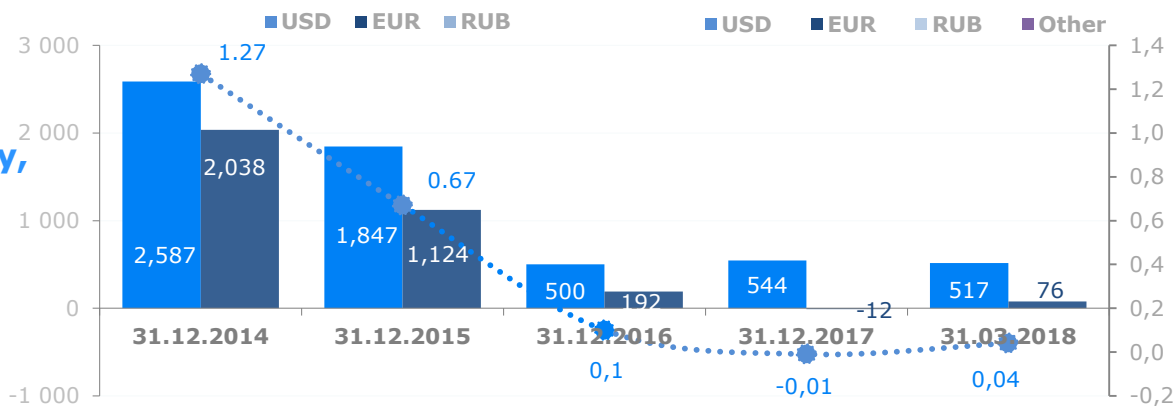


# MMK Group's debt profile

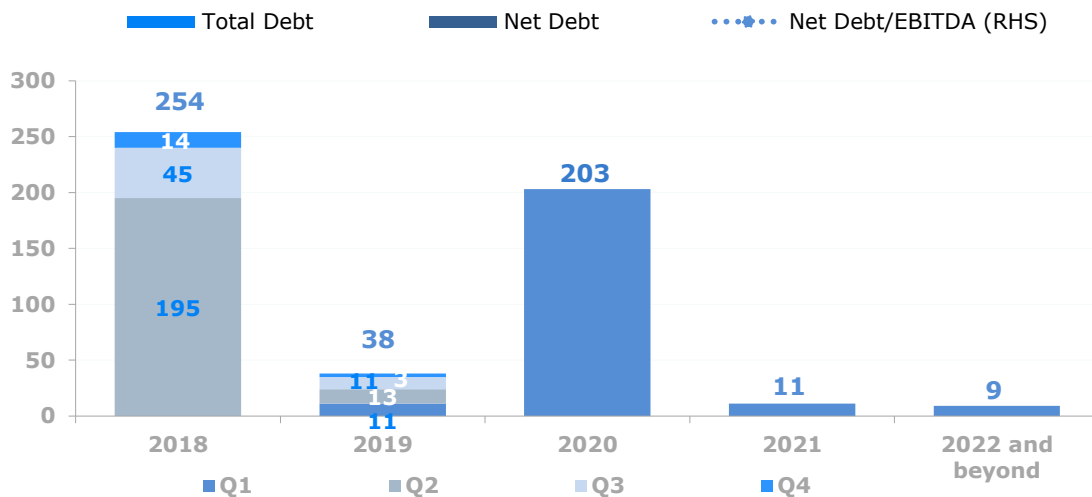
Debt and cash funds structure by currency, mln USD



High level of liquidity, mln USD



Debt maturity schedule, mln USD



Source: MMK

MMK Group's debt as of the end of Q1 2018 was USD 517 mln

The share of debt which is denominated in foreign currencies (USD, EUR) as of 31.03.2018 amounted to approx. 66%

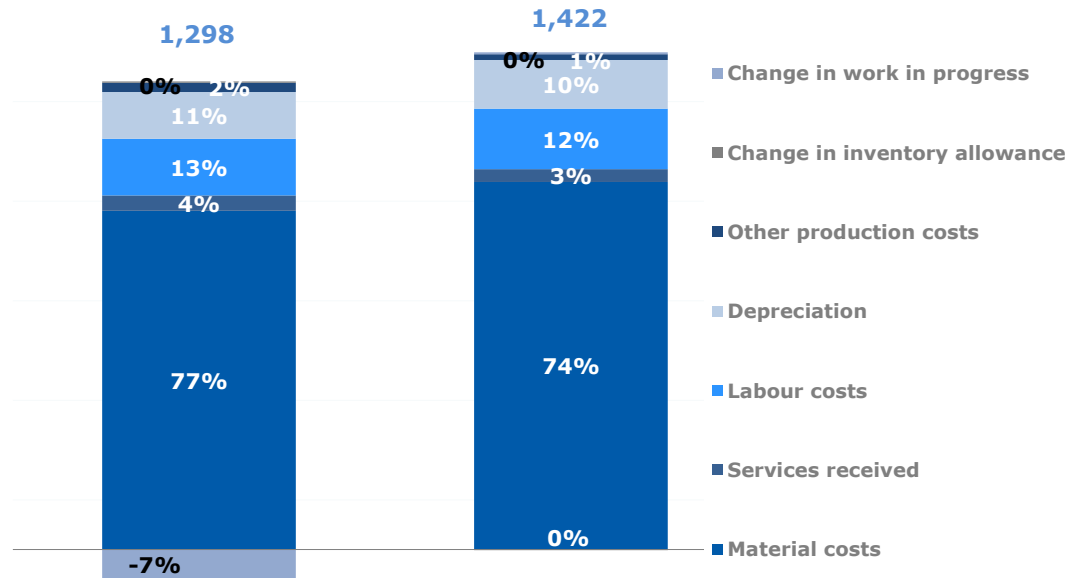
The cash volume on the balance (USD 441 mln) fully covers MMK Group's short term debt

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



# Cost of sales and structure of material costs

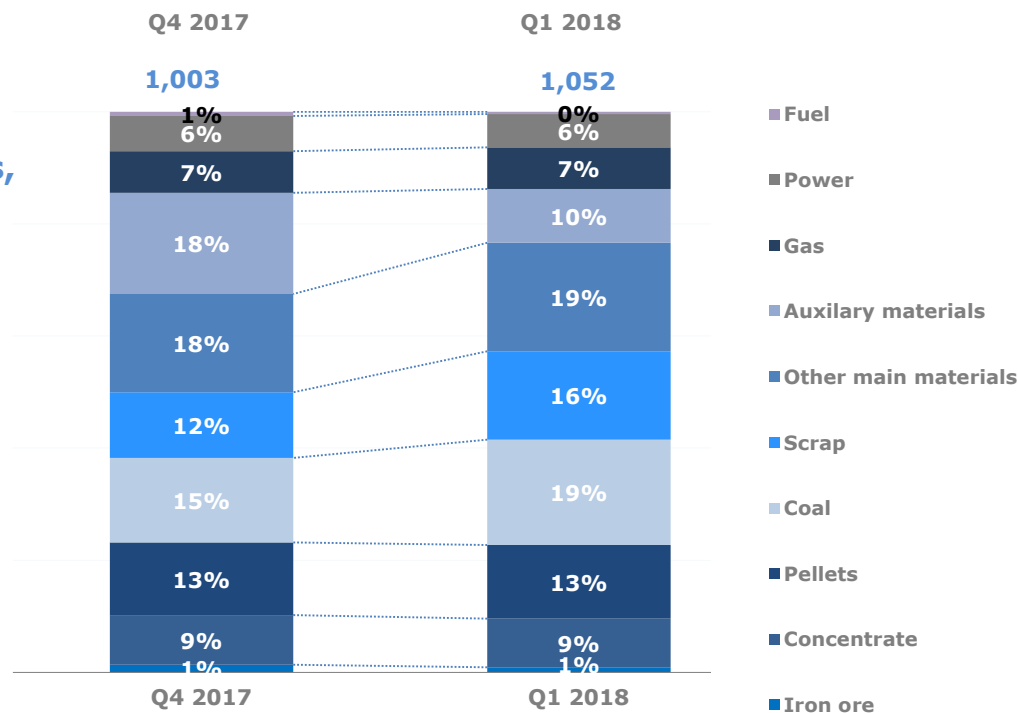
**MMK Group's cost of sales, mln USD**



In Q1 2018, the share of scrap increased in the structure of MMK's material costs due to higher capacity utilisation of EAFs during the schedule maintenance of blast furnace No. 1

The share of coal increased due to higher purchases of coal concentrate from external suppliers (amid lower production at MMK Coal) and higher coal prices

**MMK Group's material costs, mln USD**



The Company currently sees healthy demand for its products on the domestic market. However, the growth in finished products sales volumes in Q2 2018 could be restrained by the continued scheduled equipment maintenance.

The Company's financial performance will be driven by higher prices for steel on the domestic market amid the seasonal recovery in demand and devaluation of the rouble, along with correction in prices for key raw materials.

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