IFRS financial statements for Q4 and FY 2017
Key highlights for MMK Group

Q4 2017 financial results

Revenue
USD 1,948 mln down 3.2% on Q3 2017

Cost of sales
USD 1,298 mln down 7.9% on Q3 2017

EBITDA
USD 592 mln up 11.1% on Q3 2017

EBITDA margin
30.4% up 3.9 p.p. on Q3 2017

Net profit
USD 375 mln up 35.9% on Q3 2017

Slab cash cost
USD 280 per tonne up 6.9% on Q3 2017

Free cash flow (FCF)
USD 116 mln down 67.8% on Q3 2017

CAPEX
USD 237 mln up 65.7% on Q3 2017

FY 2017 financial results

Revenue
USD 7,546 mln up 34.0% on FY 2016

Cost of sales
USD 5,268 mln up 38.0% on FY 2016

EBITDA*
USD 2,032 mln up 23.8% on FY 2016

Net profit*
USD 1,189 mln up 7.0% on FY 2016

Free cash flow (FCF)
USD 694 mln down 4.7% on FY 2016

CAPEX
USD 664 mln up 43.4% on FY 2016

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

Source: MMK
High capacity utilisation

Key indicators, ths tonnes

<table>
<thead>
<tr>
<th></th>
<th>Q4'17</th>
<th>Q3'17</th>
<th>%</th>
<th>FY'17</th>
<th>FY'16</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pig iron production</td>
<td>2,654</td>
<td>2,559</td>
<td>3.7%</td>
<td>10,163</td>
<td>9,652</td>
<td>5.3%</td>
</tr>
<tr>
<td>Crude steel production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MMK</td>
<td>3,291</td>
<td>3,321</td>
<td>-0.9%</td>
<td>12,860</td>
<td>12,544</td>
<td>2.5%</td>
</tr>
<tr>
<td>Finished products sales incl.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steel (Russia)</td>
<td>2,607</td>
<td>2,981</td>
<td>-12.5%</td>
<td>10,664</td>
<td>10,601</td>
<td>0.6%</td>
</tr>
<tr>
<td>Steel (Turkey)</td>
<td>220</td>
<td>251</td>
<td>-12.5%</td>
<td>953</td>
<td>854</td>
<td>11.6%</td>
</tr>
<tr>
<td>HVA products</td>
<td>1,264</td>
<td>1,467</td>
<td>-13.8%</td>
<td>5,270</td>
<td>5,153</td>
<td>2.3%</td>
</tr>
<tr>
<td>Coking coal concentrate</td>
<td>760</td>
<td>658</td>
<td>15.5%</td>
<td>2,725</td>
<td>2,870</td>
<td>-5.1%</td>
</tr>
</tbody>
</table>

* - including made from MMK steel

MMK Group finished products dynamics, ths tonnes

Key capacity utilisation rates, Q4 2017, %

Source: MMK
In Q4 2017, shipments on the domestic market declined amid a seasonal slowdown of business activity.

In order to offset seasonally weaker demand on the domestic market, the Company increased export sales in particular to South East Asia.
The Group’s revenue for Q4 2017 amounted to USD 1,948 mln USD, down 3.2% q-o-q

Key factors of the slight decline in revenue included decrease in sales volumes amid higher USD steel prices

Significant growth in revenue of the coal segment was due to higher production volumes of coal concentrate amid higher coal prices

### MMK Group’s revenue by segment, mln USD

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q3'16</th>
<th>Q4'16</th>
<th>Q1'17</th>
<th>Q2'17</th>
<th>Q3'17</th>
<th>Q4'17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel segment (Russia)</td>
<td>1427</td>
<td>1473</td>
<td>1587</td>
<td>1822</td>
<td>1908</td>
<td>1899</td>
</tr>
<tr>
<td>Steel segment (Turkey)</td>
<td>125</td>
<td>149</td>
<td>150</td>
<td>187</td>
<td>190</td>
<td>168</td>
</tr>
<tr>
<td>Coal segment</td>
<td>47</td>
<td>76</td>
<td>85</td>
<td>78</td>
<td>67</td>
<td>90</td>
</tr>
<tr>
<td>Consolidation</td>
<td>-121</td>
<td>-148</td>
<td>-162</td>
<td>-161</td>
<td>-153</td>
<td>-209</td>
</tr>
</tbody>
</table>

Source: MMK
In Q4 2017, average sales price grew 11.0% q-o-q, while EBITDA per tonne of steel grew to USD 200 or 23.5%.

EBITDA of the Russian steel segment in FY 2017 grew 22.8% y-o-y. This was due to a significant increase in dollar prices on metal and a higher share of domestic sales.

The coal segment’s EBITDA in FY 2017 grew 65.1% y-o-y and amounted to USD 104 mln. This was mainly due to the significant increase in coking coal prices on the global markets.

Source: MMK

* - The figure for 2016 was adjusted to the effect from FMG stake sale
Key factors which affected revenue in FY 2017 were higher sales volumes amid higher prices.

Cash cost of slab in Q4 2017 increased by USD 18 USD per tonne, or 6.9%. A key factor for the growth (by USD 14 per tonne) was an increase in prices for key raw materials.

In Q4 2017, the Company’s net profit amounted to USD 375 mln (up 35.9% on the previous quarter).
In Q4 2017, MMK Group’s CAPEX amounted to USD 237 mln. The increase compared to the previous quarter corresponds to the scheduled implementation of investment projects (launch of equipment procurement for sinter plant No. 5) and is partially due to the weaker RUB exchange rate.

2017 CAPEX amounted to USD 664 mln. Growth from 2016 was due to the scheduled launch of major investment projects (construction of sinter plant) and a stronger ruble.
Sustainable generation of positive free cash flow (FCF)

As of Q4 2017, the working capital/revenue ratio was **16.7%**

**Net working capital, mln USD**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net working capital, mln USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 16</td>
<td>815</td>
</tr>
<tr>
<td>Q2 16</td>
<td>902</td>
</tr>
<tr>
<td>Q3 16</td>
<td>767</td>
</tr>
<tr>
<td>Q4 16</td>
<td>977</td>
</tr>
<tr>
<td>Q1 17</td>
<td>1,239</td>
</tr>
<tr>
<td>Q2 17</td>
<td>1,206</td>
</tr>
<tr>
<td>Q3 17</td>
<td>1,124</td>
</tr>
<tr>
<td>Q4 17</td>
<td>1,301</td>
</tr>
</tbody>
</table>

**Sustainable generation of positive free cash flow (FCF) in 2017, mln USD**

<table>
<thead>
<tr>
<th>Category</th>
<th>FCF 12M 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>2,032</td>
</tr>
<tr>
<td>WoC</td>
<td>-294</td>
</tr>
<tr>
<td>Net financial cost, tax, etc.</td>
<td>-380</td>
</tr>
<tr>
<td>FFO</td>
<td>1,358</td>
</tr>
<tr>
<td>PPE</td>
<td>-664</td>
</tr>
<tr>
<td>FCF 12M 17</td>
<td>694</td>
</tr>
</tbody>
</table>

Source: MMK
MMK Group’s debt profile

MMK Group’s debt as of the end of Q4 2017 was USD 544 mln.

The share of debt which is denominated in foreign currencies (USD, EUR) as of 31.12.2017 amounted to approx. 82%.

The cash volume on the balance (USD 556 mln) fully covers MMK Group’s debt.

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

Source: MMK
In Q4 2017, the share of scrap decreased in the structure of material costs due to lower capacity utilisation of EAFs.

The share of coal decreased due to higher usage of self-produced coal concentrate and lower purchases from the third parties.

Source: MMK
Dividends

On 5 February 2018, MMK’s Board of Directors recommended that the Annual General Meeting of Shareholders pay dividends for Q4 2017 of RUB 0.806 per share (before taxes)

Thus, the dividends recommended to be paid for Q4 2017 would amount to approximately USD 160 mln (based on the current exchange rate) or 138% of FCF for the period, which results in a dividend yield of around 1.8%

As a result, the total amount of dividends paid by MMK on 2017 could amount to around USD 535 mln, or 77% of FCF

Comments on market situation

Seasonality and scheduled equipment maintenance will affect sales volumes in Q1 2018

At the same time, this should be balanced by higher prices on export and domestic markets
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