



**MAGNITOGORSK
IRON & STEEL
WORKS**

IFRS financial statements for Q3 and 9M 2019



31 October 2019

gelivostok.

Key highlights for MMK Group

1



Q3 2019 results

Revenue	USD 2,009 mln	✓	up 0.5% on Q2 2019
Cost of sales	USD 1,418 mln	✓	down 2.3% on Q2 2019
EBITDA	USD 525 mln	✓	up 5.6% on Q2 2019
EBITDA margin	26.1%	✓	up 1.2 p.p. on Q2 2019
Net profit	USD 271 mln		down 0.4% on Q2 2019
Slab cash-cost	USD 313 per tonne	✓	down 2.2% on Q2 2019
Free cash flow (FCF)	USD 289 mln	✓	up 373.8% on Q2 2019
CAPEX	USD 188 mln		down 23.6% on Q2 2019

9M 2019 results

Revenue	USD 5,844 mln	⊘	down 6.5% on 9M 2018
Cost of sales	USD 4,190 mln	⊘	up 1.1% on 9M 2018
EBITDA	USD 1,462 mln	⊘	down 22.3% on 9M 2018
Net profit	USD 768 mln	⊘	down 28.4% on 9M 2018
Free cash flow (FCF)	USD 610 mln	⊘	down 22.6% on 9M 2018
CAPEX	USD 592 mln		down 9.8% on 9M 2018

Key operational indicators

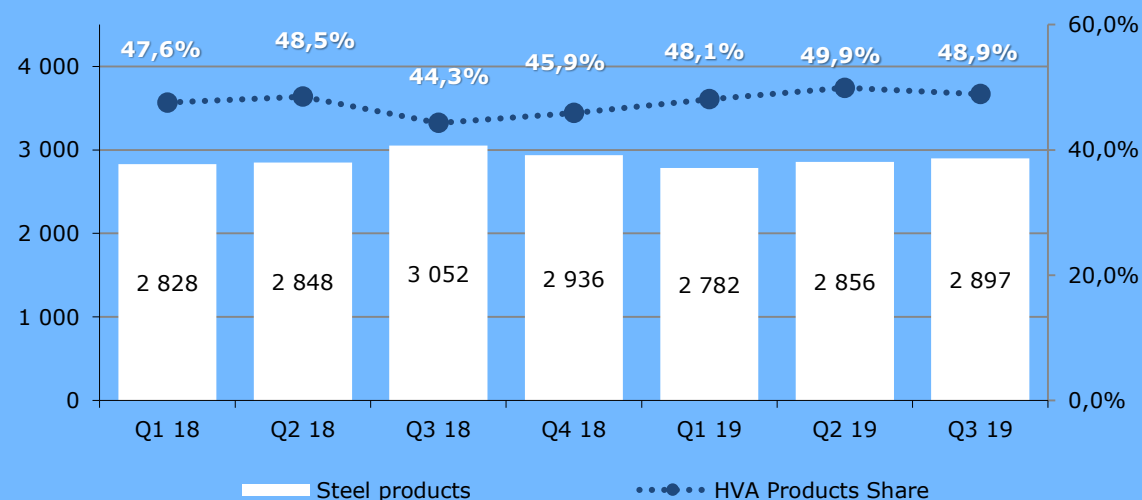


Key indicators, ths tonnes

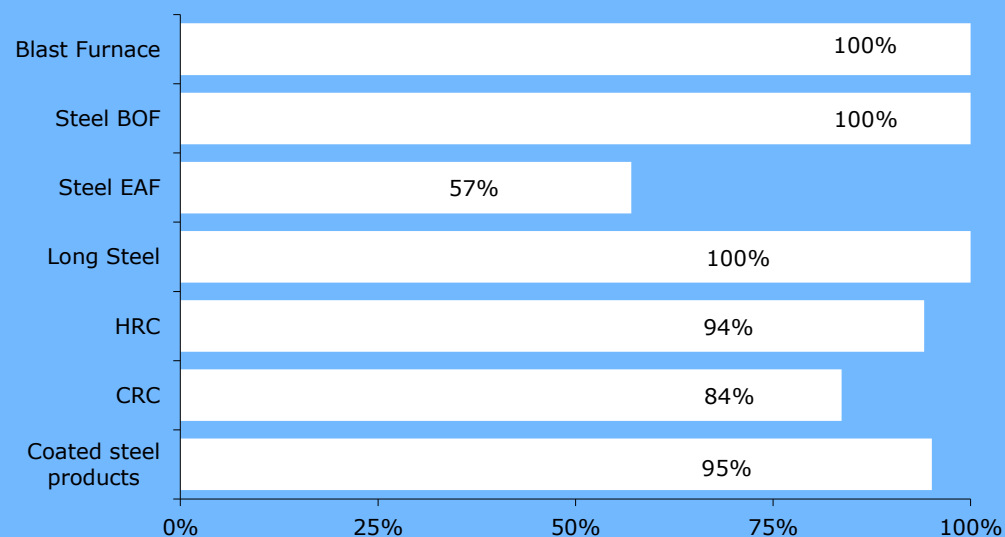
	Q3 '19	Q2'19	%	9M'19	9M'18	%
Pig iron production	2,560	2,452	4.4%	7,409	7,301	1.5%
Crude steel production	3,194	3,091	3.3%	9,392	9,552	-1.7%
MMK	3,194	3,091	3.3%	9,392	9,552	-1.7%
Finished products, incl.	2,897	2,856	1.4%	8,535	8,728	-2.2%
MMK	2,787	2,730	2.1%	8,248	8,599	-4.1%
MMK-Metiz*	114	121	10.0%	344	335	2.7%
MMK Metalurji*	188	197	-4.3%	561	565	-0.7%
HVA products	1,418	1,426	-0.6%	4,181	4,077	2.6%
Coking coal concentrate	629	487	29.2%	1,893	2,220	-14.8%

* - incl. made from MMK steel

MMK Group finished products, ths tonnes

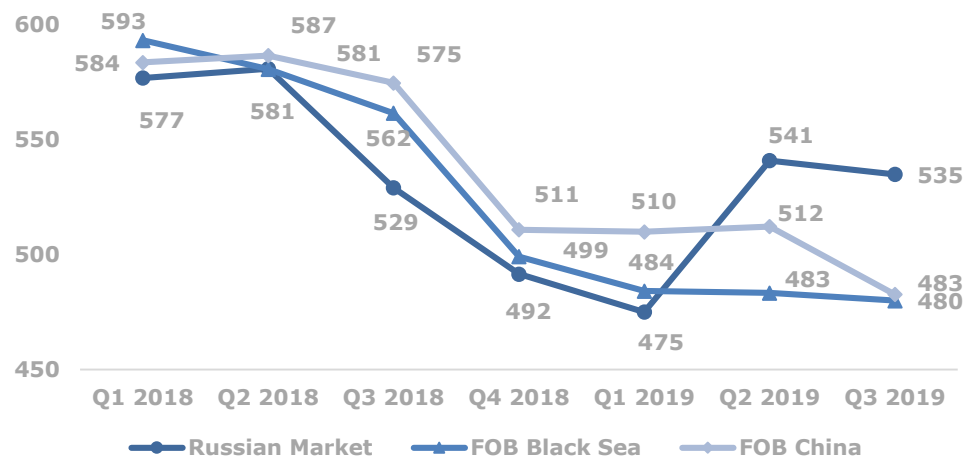


Key capacity utilisation rates, Q3 2019, %



MMK Group's sales structure on key markets

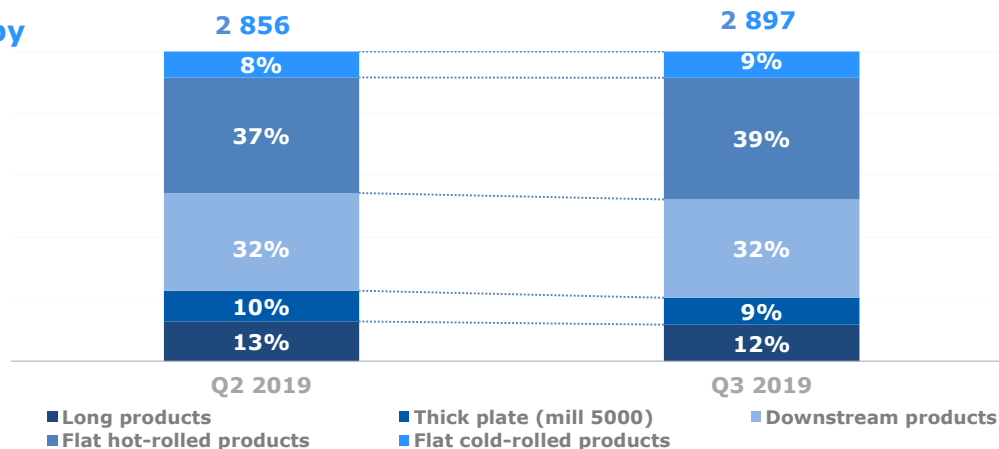
HRC price ,
USD/t



Average sales prices on the domestic market for HRC in Q3 2019 were slightly down q-o-q.

Consolidated sales by
product,

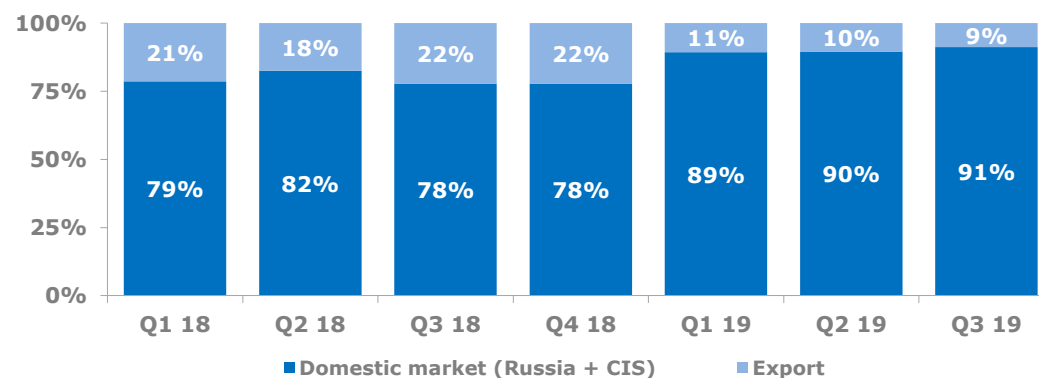
tht tonnes



The volume of shipments of HVA products for Q3 2019 remained quite high supported by strong demand amid high capacity utilisation rates.

MMK sales share
by market,

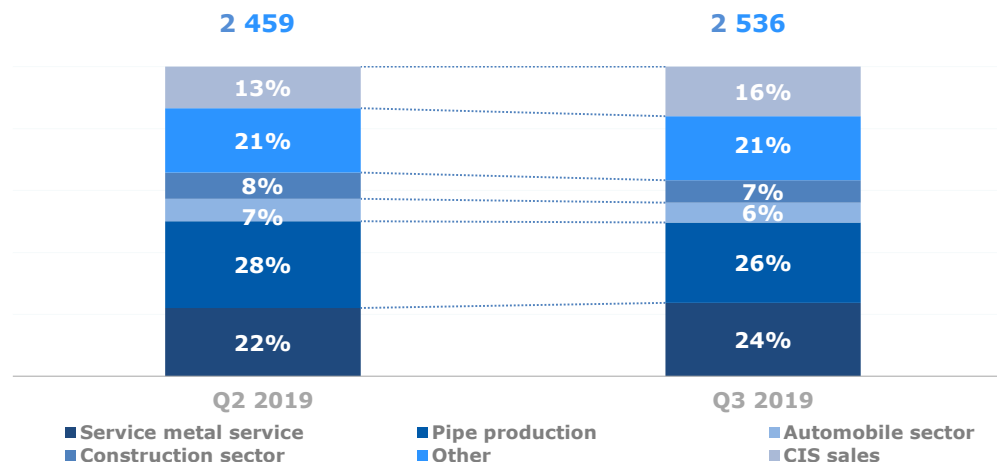
tht tonnes



The strong demand on the domestic market allowed the Company to increase domestic shipments compared to Q2 2019. As a result, the share of domestic shipments in total structure increased to 91%.

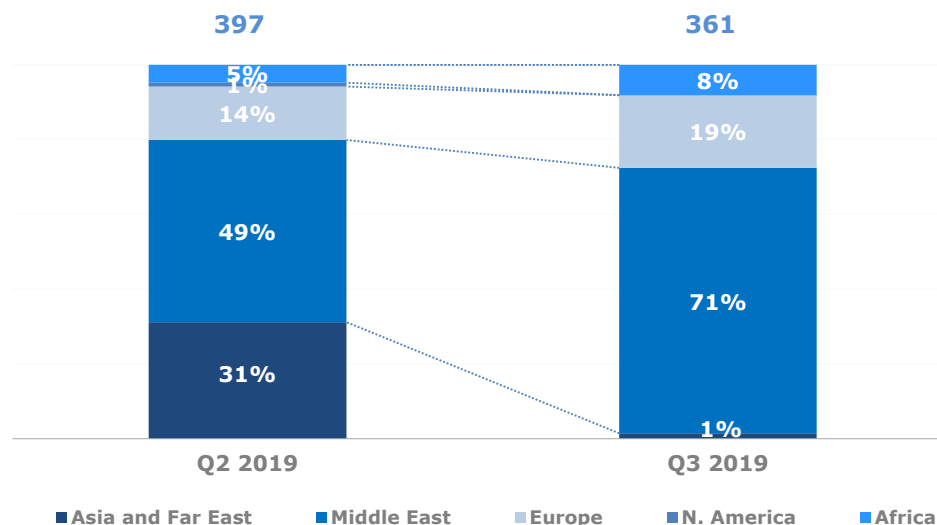
MMK Group's sales structure on key markets

Russia and CIS market sales by sector, ths tonnes



In Q3 2019, domestic shipments grew due to seasonal growth in business activity and the completed reconstruction of Mill 2500.

International market sales by region, ths tonnes

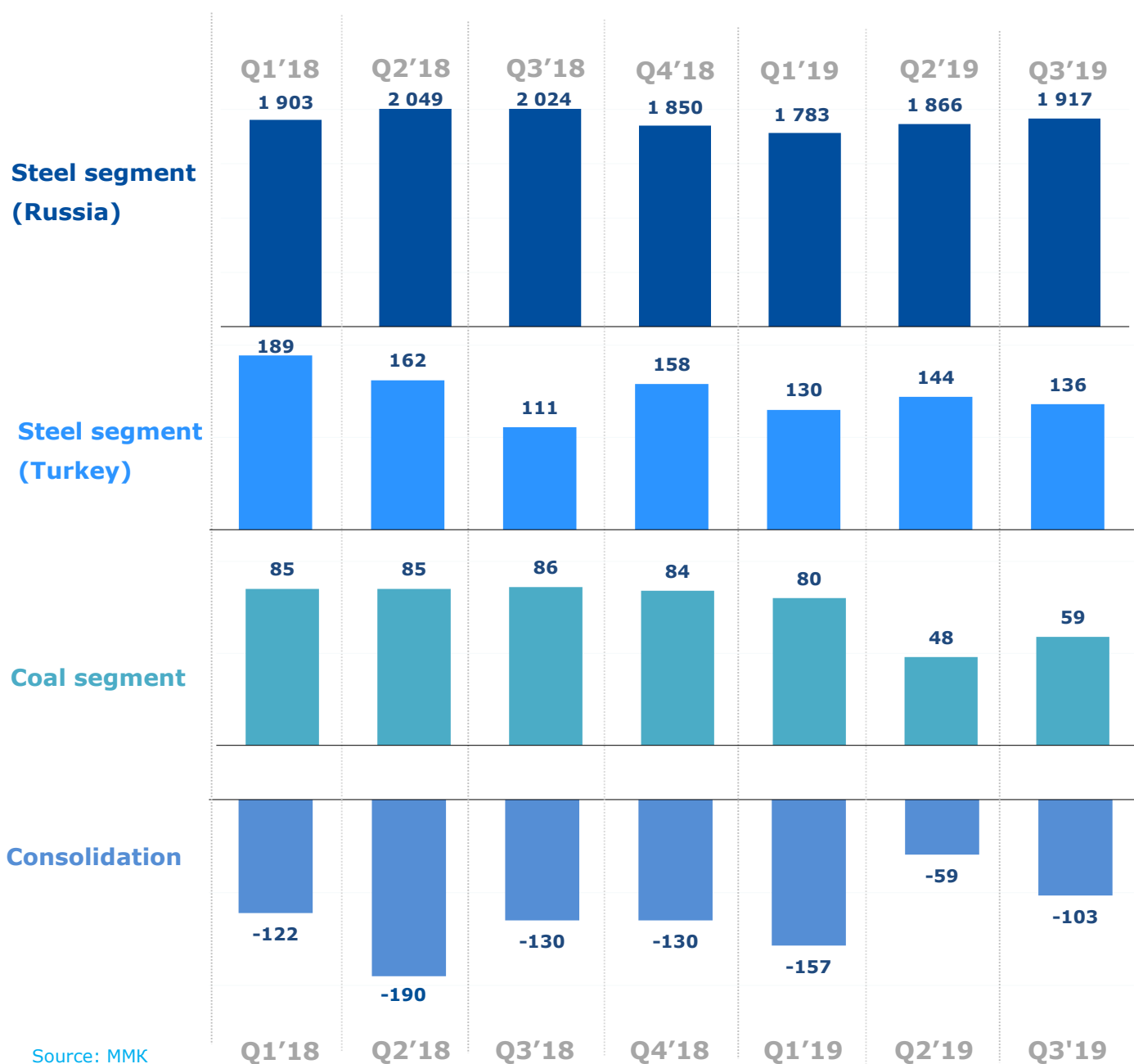


In Q3 2019, export sales declined q-o-q, mainly due to a more favourable pricing environment on the domestic market.

At the same time, MMK's flexibility in terms of export sales allowed the Company to reallocate sales volumes to markets that provide the maximum profit margins.



MMK Group's revenue by segment, mln USD



Source: MMK

In Q3 2019, revenue of MMK Group amounted to USD 2,009 mln, up 0.5% q-o-q.

This growth was due to an increase in sales volumes and a reorientation of sales to the domestic market where margins are higher, amid the correction in metal prices.

The decline in revenue of steel segment (Turkey) for Q3 2019 was due to a decrease in the volume of sales of finished products by 4.3% q-o-q amid the negative correction in prices on the Turkish market.

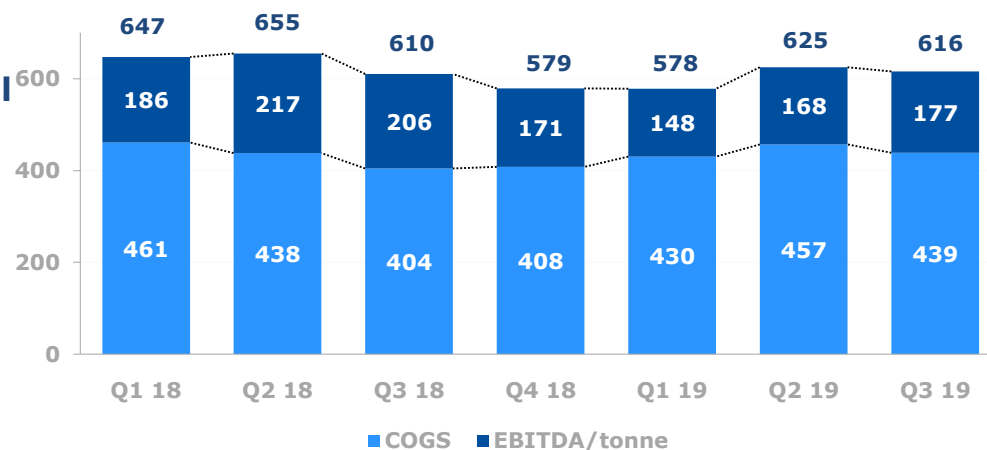
Revenue of the coal segment for Q3 2019 was up 22.9% q-o-q due to a 29.2% increase in sales volumes for coking coal concentrate amid lower prices.

MMK Group's key financial highlights

6

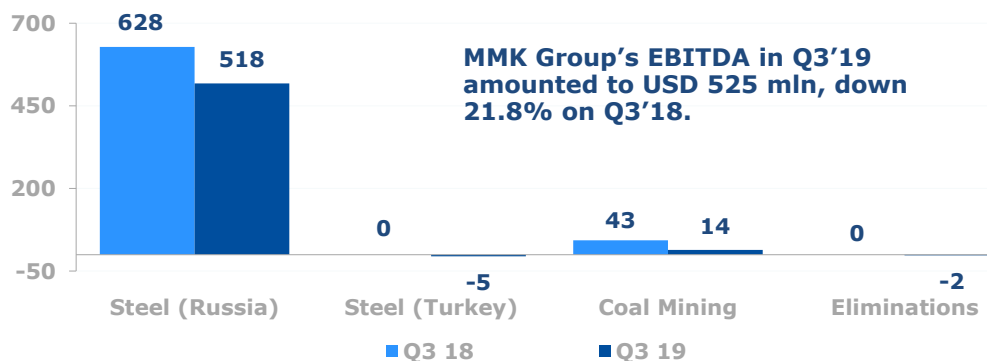


EBITDA/t vs metal sale price, USD/t



The average selling price, expressed in US dollars, for Q3 2019 decreased by 1.5% q-o-q and amounted to USD 616 per tonne. Meanwhile, EBITDA per tonne of steel products grew by 5.4%, due in part to the implementation of the programme to boost operational efficiency.

EBITDA – Q3 2019 vs. Q3 2018, mln USD



EBITDA of the Russian steel segment in Q3 2019 amounted to USD 518 mln, up 7.7% q-o-q. This was due to the increase in sales volumes of commercial products amid continued high demand in the company's key markets.

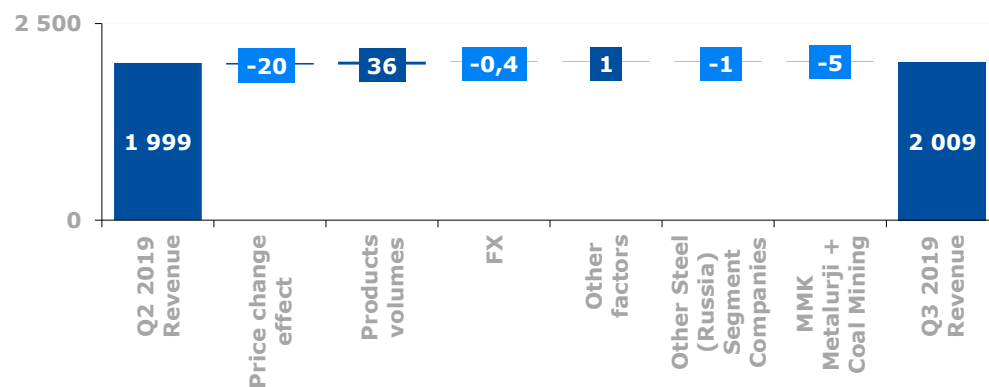
EBITDA – Q3 2019 vs. Q2 2019, mln USD



EBITDA of the coal segment grew by 16.7% q-o-q, to USD 14 mln. This was mainly due to the company's extraction and processing of its own coking coal.

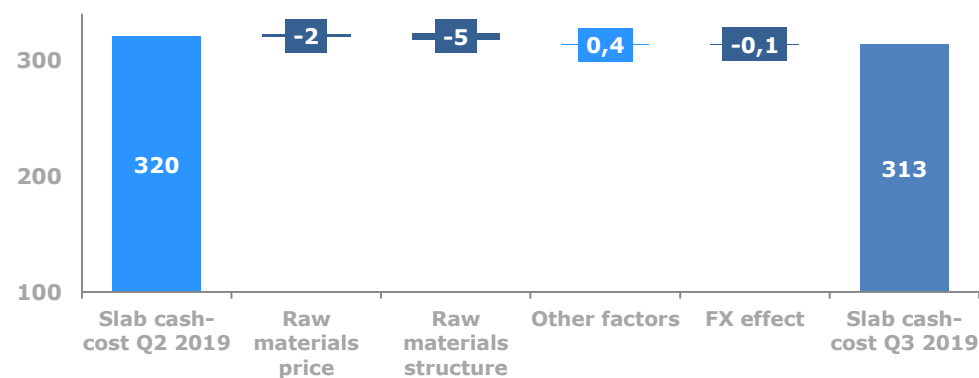
Analysis of key financial highlights

Analysis of revenue, mln USD



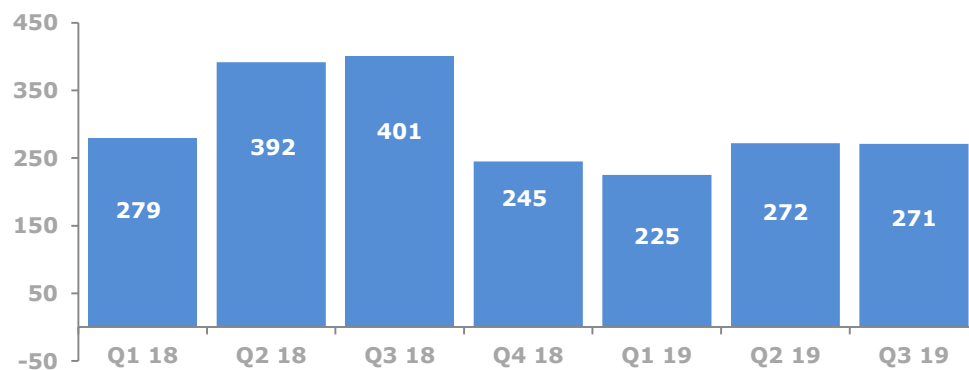
Key factors which affected revenue in Q3 2019 were an increase in sales volumes amid negative pricing trends in the global steel market.

Cash cost of slab, USD/t



The cost of sales for a tonne of slab in Q3 2019 declined by USD 7, or 2.2% q-o-q. Key factor for this decline was lower share of pellets in the blast furnace charge and lower scrap share in the steel production process. The correction in prices for coal concentrate and metal scrap had a positive effect.

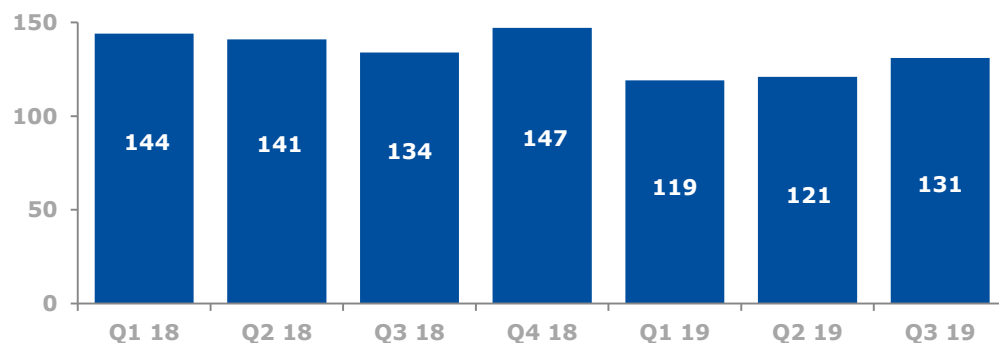
Net profit, mln USD



Net profit for Q3 2019 amounted to USD 271 mln, nearly flat q-o-q.

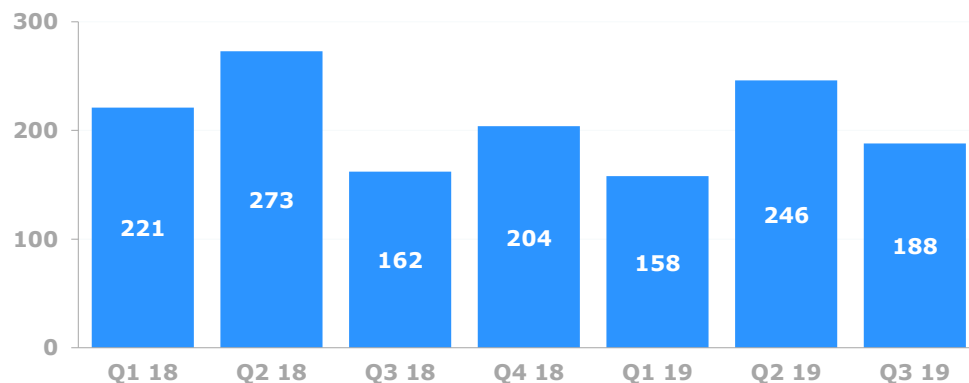


Depreciation,
mln USD



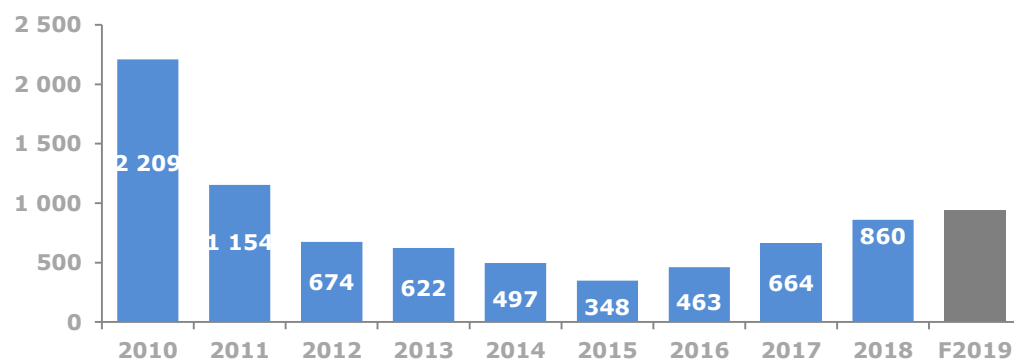
In Q3 2019, CAPEX amounted to USD 188 mln. This 23.6% decline q-o-q is in line with the investment programme schedule.

Quarterly CAPEX,
mln USD



In 9M 2019, MMK Group's capital expenditure amounted to USD 592 mln, down 9.8% y-o-y.

Balanced approach to investments
mln USD



CAPEX for 2019 as a whole will be in line with the investment programme, with major investment projects being implemented at a faster pace than envisioned in the initial plan.

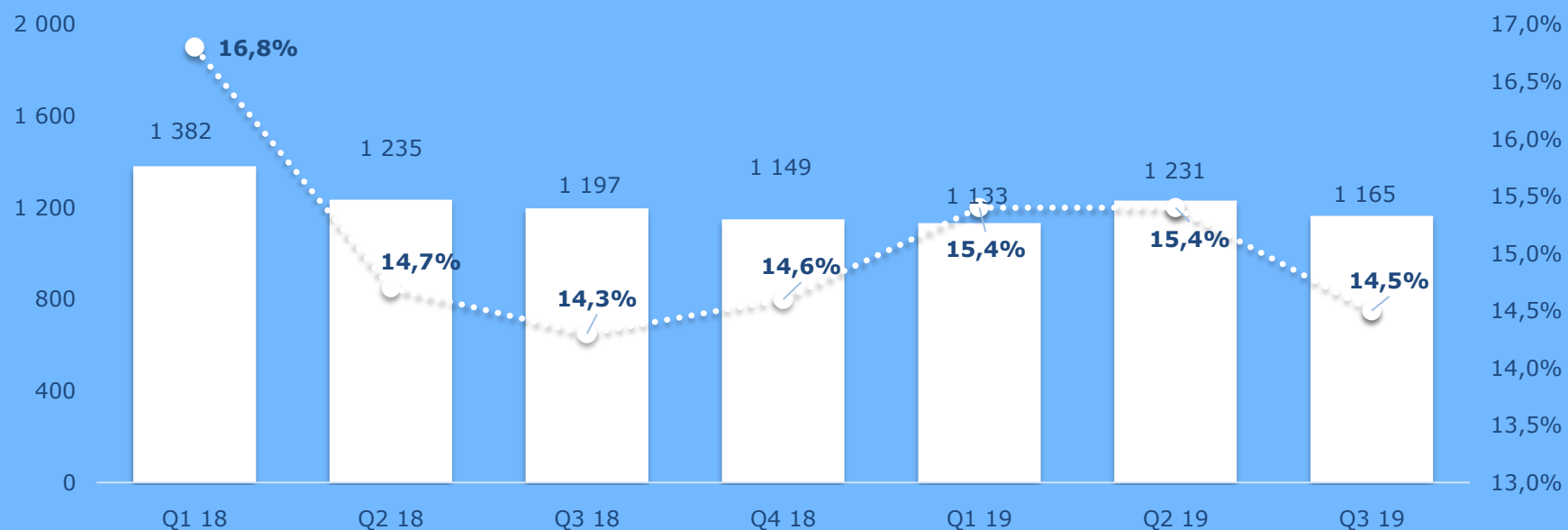
Net working capital & free cash flow (FCF)

9

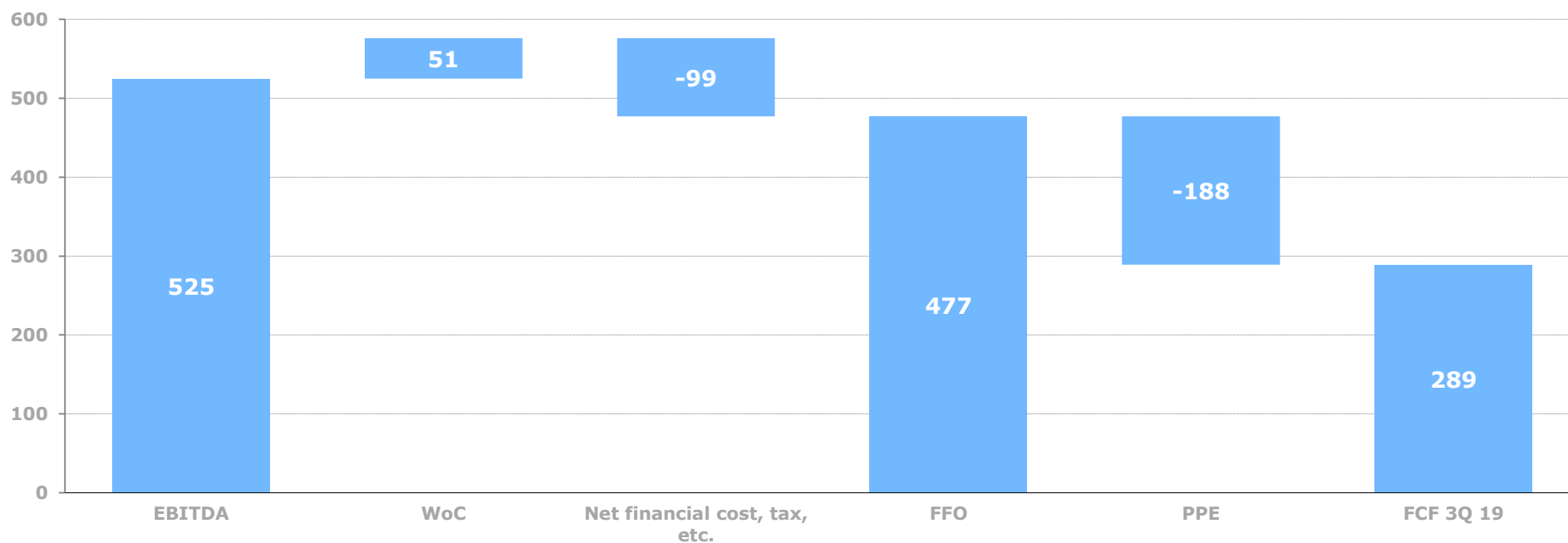


As of the end of Q3 2019, the working capital/revenue ratio was **14.5%**

Net working capital,
mln USD



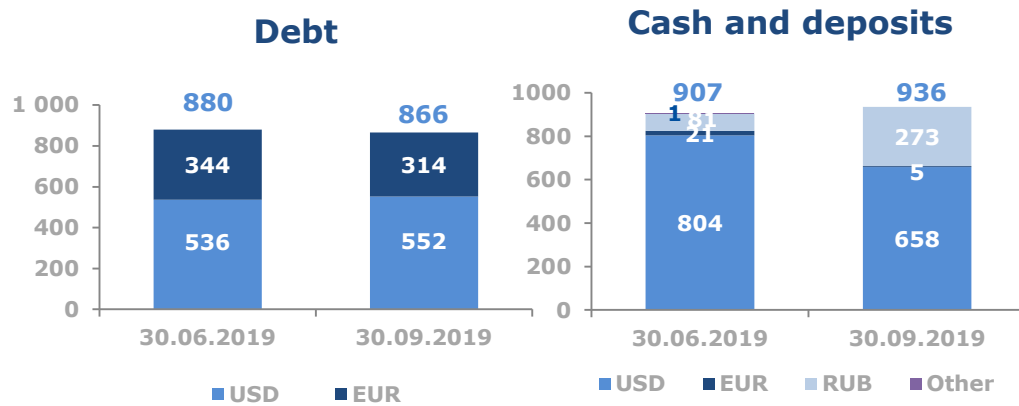
Sustainable generation of positive free cash flow (FCF) in Q3 2019,
mln USD



MMK Group's debt profile



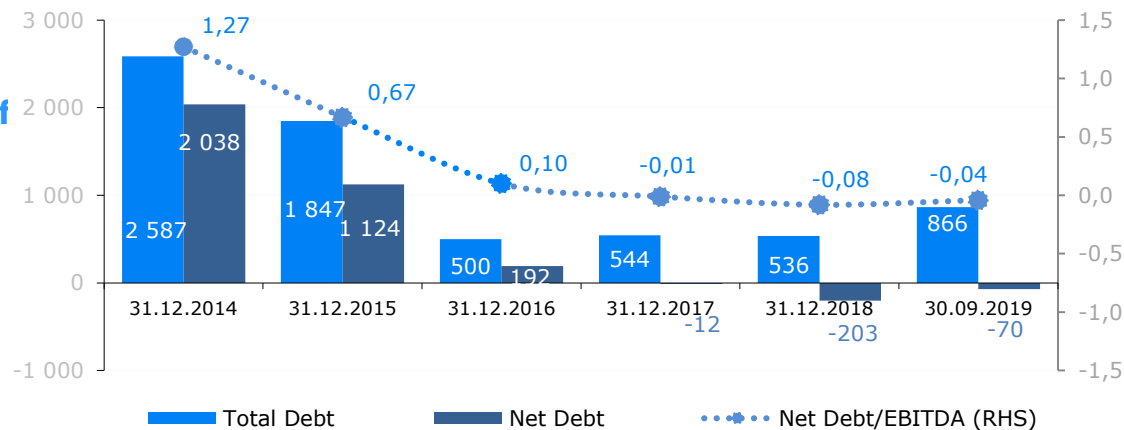
Debt and cash funds structure by currency, mln USD



MMK Group's debt as of the end of Q3 2019 amounted to USD 866 mln.

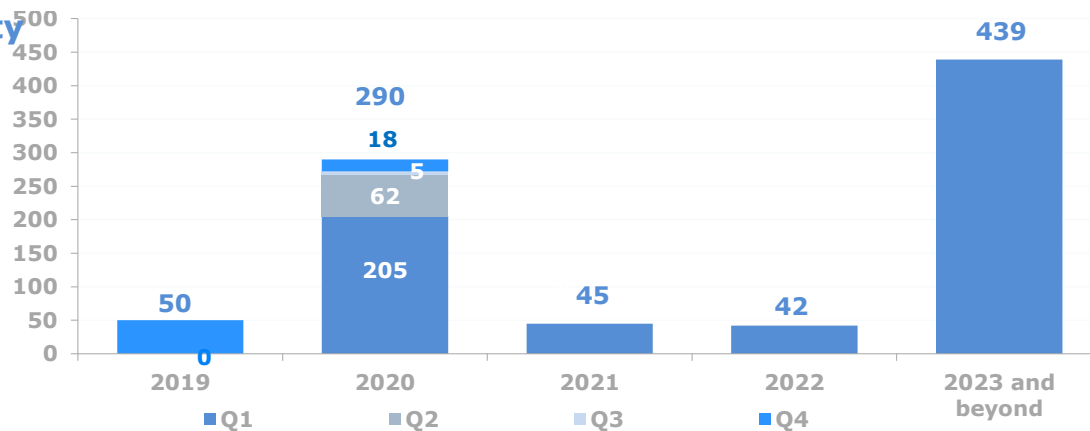
The debt share in foreign currency (USD + EUR) as of 30.09.2019 was 100%.

High level of liquidity, mln USD



The cash volume on the Group's balance (USD 936 mln) fully covers the Group's debt.

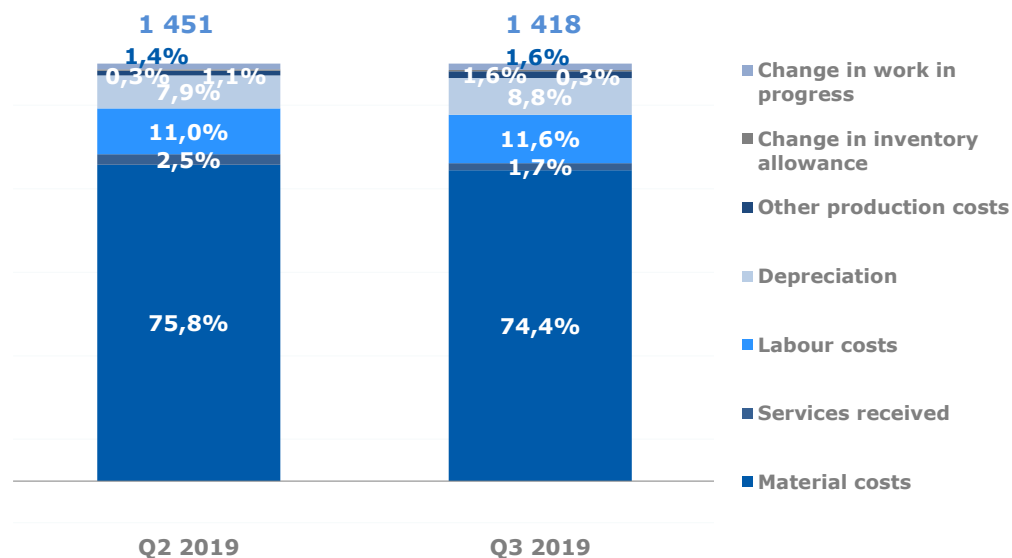
Debt maturity schedule, mln USD



The debt repayment schedule does not include any large one-time payments.

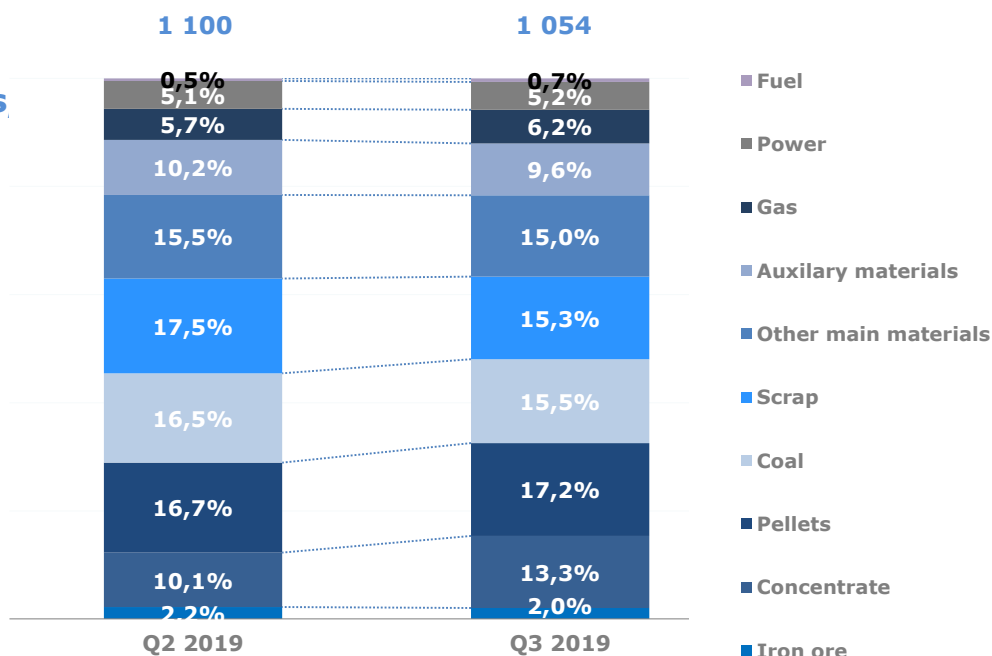


MMK Group's cost of sales, mln USD



In Q3 2019, the share of blast-furnace raw materials in the structure of material costs rose in connection with rising prices for iron ore and increasing production of pig iron, amid higher demand for metal products and the blast furnace No. 7 reaching full capacity utilisation following the planned maintenance in Q2 2019.

MMK Group's material costs, mln USD



The share of coal concentrate decreased mainly due to higher share of MMK Coal in shipments amid lower coal prices.



Dividends

On 30 October 2019, the Board of Directors recommended that the Extraordinary General Meeting of Shareholders approve the **payment of dividends for Q3 2019 of RUB 1.650 per share (100% of FCF for the period)**.

The Board of Directors recommended that the Q3 2019 dividend record date be set to close of business on **15 January 2020**.

Comments on market situation

Currently, the Company's management is seeing a decline in demand on exports markets and a seasonal weakening in consumption of metal on the domestic market amid the correction in steel prices, reflecting the unfavourable conditions on the global market. Together, these factors should put pressure on MMK Group's performance in Q4 2019.

Despite the negative trends, the Company expects that while the price premium on the domestic market compared to exports will decline, it will remain at a sufficiently high level. This, together with a decline in prices for key raw materials and high capacity utilisation of high-margin production units, should have a positive effect on the Company's results.



- 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.