



**MAGNITOGORSK
IRON & STEEL
WORKS**

IFRS financial results for Q2 and H1 2018



02 August 2018



Q2 2018 financial highlights

Revenue	USD 2,106 mln	✓	up 2.5% on Q1 2018
Cost of sales	USD 1,384 mln	✓	down 2.7% on Q1 2018
EBITDA	USD 650 mln	✓	up 16.1% on Q1 2018
EBITDA margin	30.9%	✓	up 3.6 p.p. on Q1 2018
Net profit	USD 392 mln	✓	up 40.5% on Q1 2018
Slab cash cost	USD 290 per tonne	✓	down 3.3% on Q1 2018
Free cash flow (FCF)	USD 281 mln	✓	up 93.8% on Q1 2018
CAPEX	USD 273 mln		up 23.5% on Q1 2018

H1 2018 financial highlights

Revenue	USD 4,161 mln	✓	up 16.0% on H1 2017
Cost of sales	USD 2,806 mln	✓	up 9.6% on H1 2017
EBITDA	USD 1,210 mln	✓	up 33.4% on H1 2017
Net profit	USD 671 mln	✓	up 24.7 % on H1 2017
Free cash flow (FCF)	USD 426 mln	✓	up 95.4% on H1 2017
CAPEX	USD 494 mln		up 73.9% on H1 2017

Key highlights for MMK Group

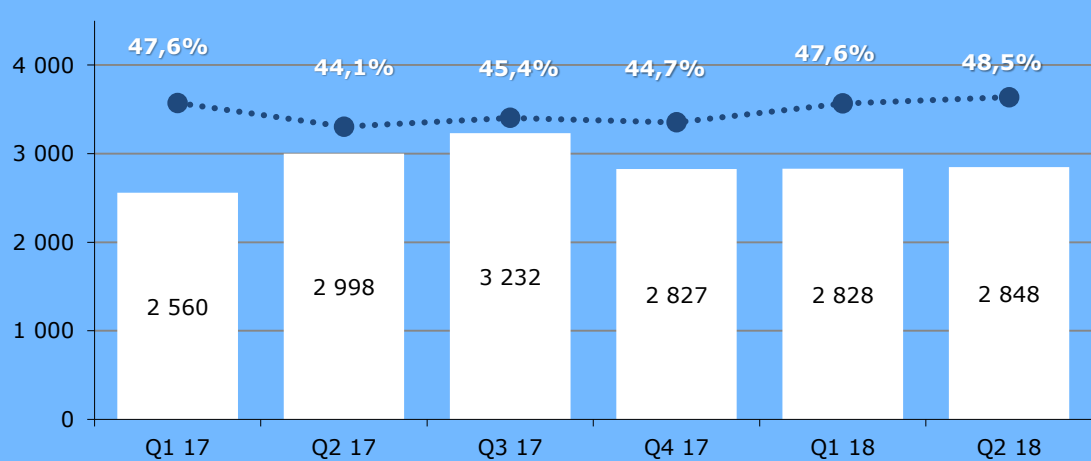


Key operating indicators, ths tonnes

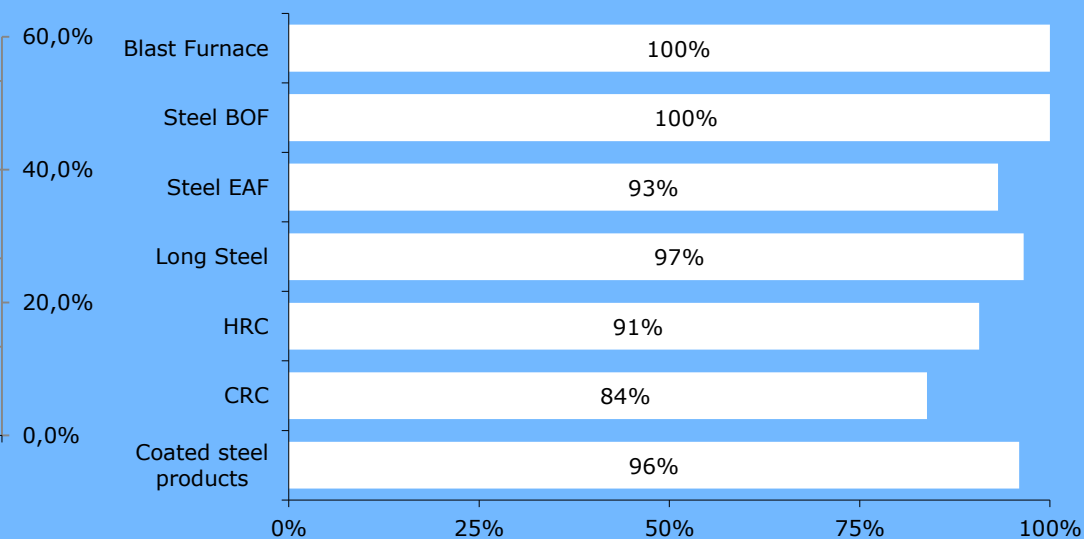
	Q2 2018	Q1 2018	%	H1 2018	H1 2017	%
Sales of the Group's finished products, including	2,848	2,828	0.7%	5,675	5,558	2.1%
Steel (Russia)	2,645	2,592	2.0%	5,238	5,076	3.2%
Steel (Turkey)	203	235	-13.6%	438	482	-8.5%
Group's HVA products	1,381	1,345	2.7%	2,726	2,539	7.3%
Coking coal concentrate	746	666	12.1%	1,412	1,308	8.0%
Iron ore production	780	761	2.6%	1,320	1,604	-17.7%

* - including made from MMK steel

MMK Group finished products dynamics, ths tonnes

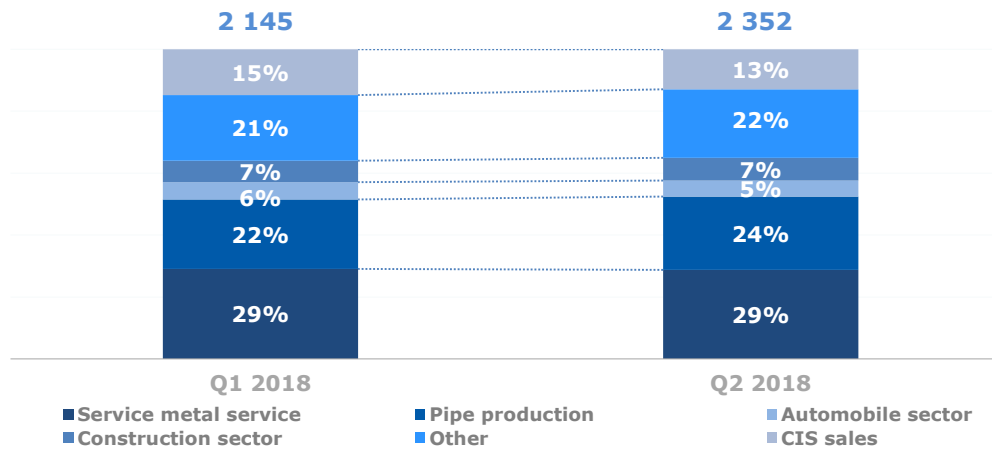


Key capacity utilisation rates, Q2 2018, %



MMK Group's sales structure on key markets

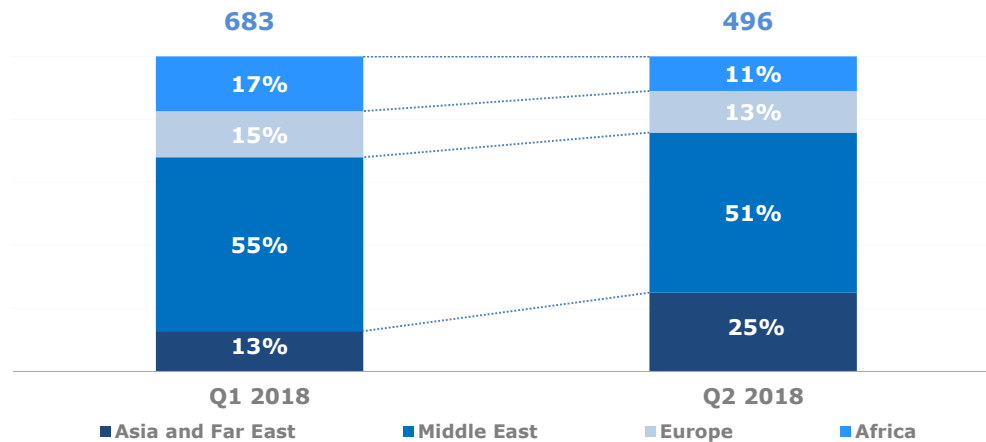
Russia and CIS market sales by sector, ths tonnes



In Q2 2018, shipments to the domestic market grew amid a seasonal recovery in business activity.

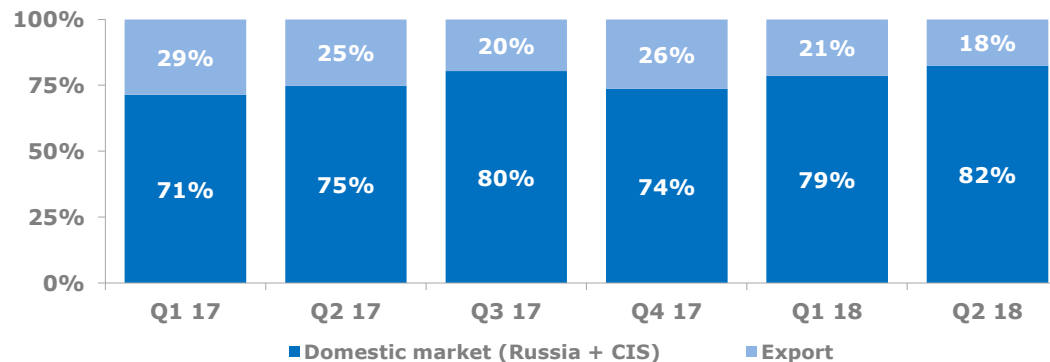
As a result, MMK Group's domestic sales accounted for 82% of overall sales.

International market sales by region, ths tonnes

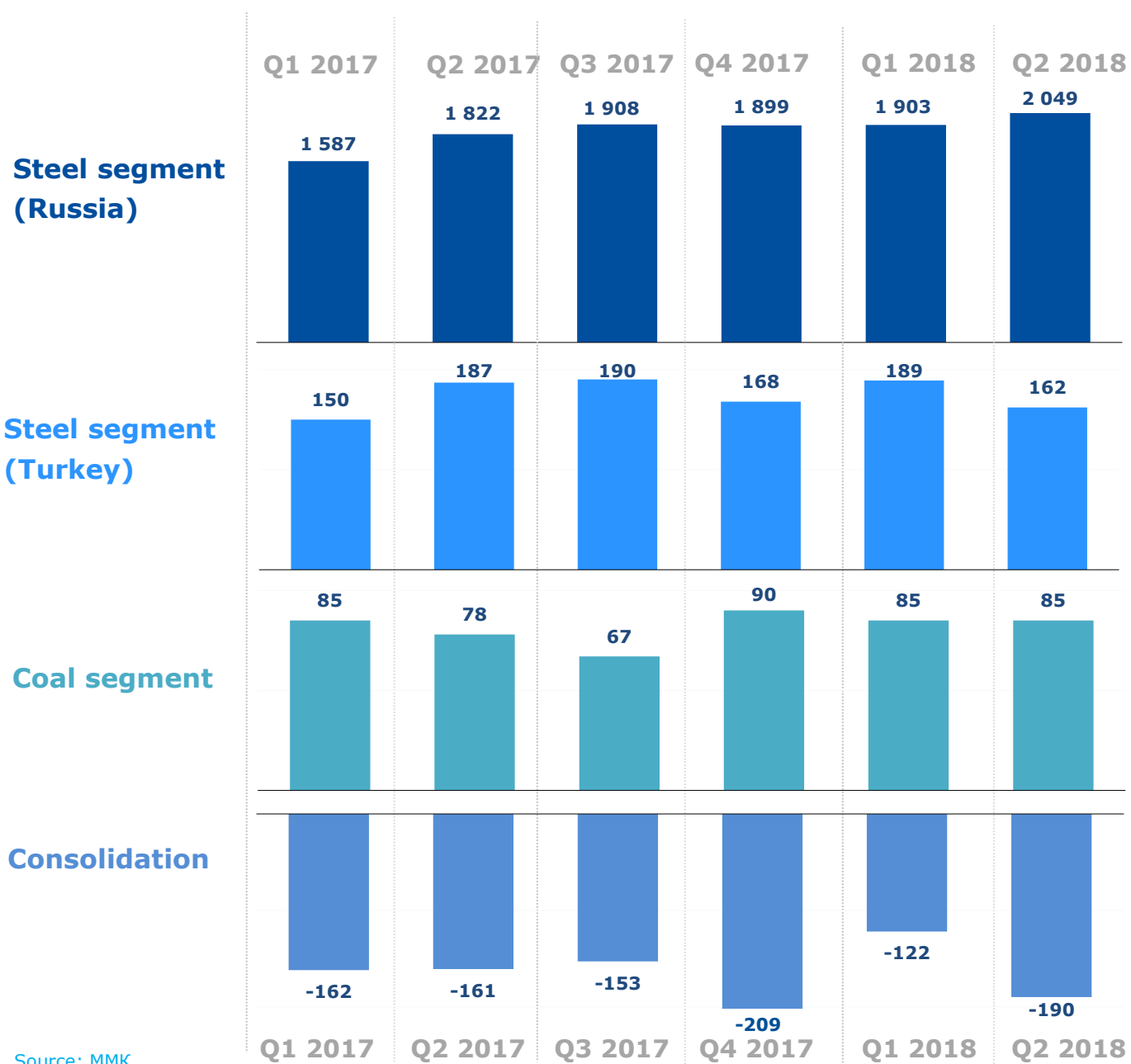


A favourable pricing environment in Q2 2018 helped to increase metal sales to South-East Asia.

PJSC MMK sales share by market, ths tonnes



MMK Group's revenue by segment, mln USD



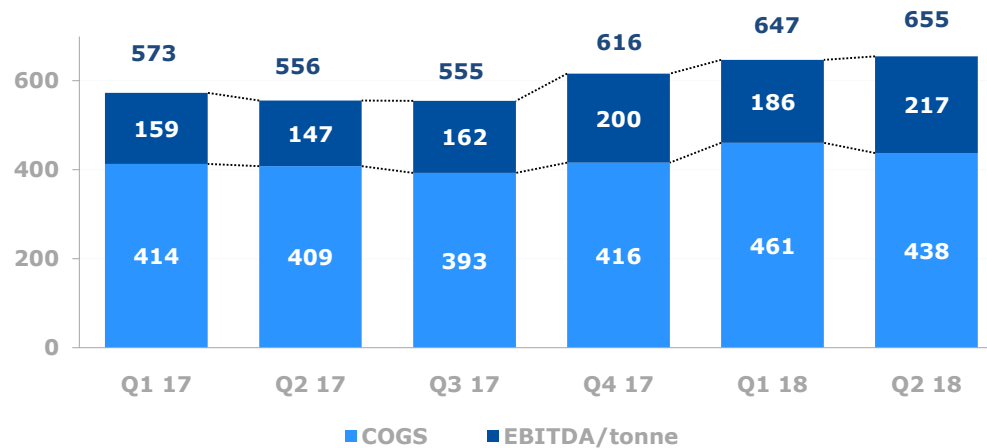
In Q2 2018, the Group's revenue amounted to USD 2,106 mln USD, up 2.5% q-o-q.

Revenue growth was mainly due to continued high sales volumes of finished products, an 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 Q2 2018, the average sales price grew 1.2% q-o-q thanks to higher domestic sales volume amid higher prices and an improved sales mix.

Growth in EBITDA per tonne to USD 217 was due to stable prices for key raw materials as the rouble weakened against the US dollar.

H1 2018 vs. H1 2017 EBITDA dynamics, mln USD



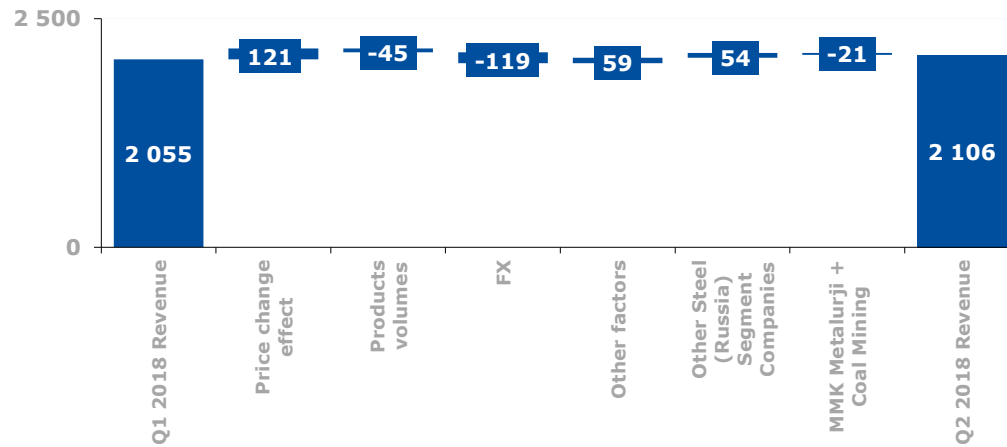
EBITDA of the Russian steel segment in Q2 2018 grew 18.4% on Q1 2018.

Q2 2018 vs. Q1 2018 EBITDA dynamics, mln USD



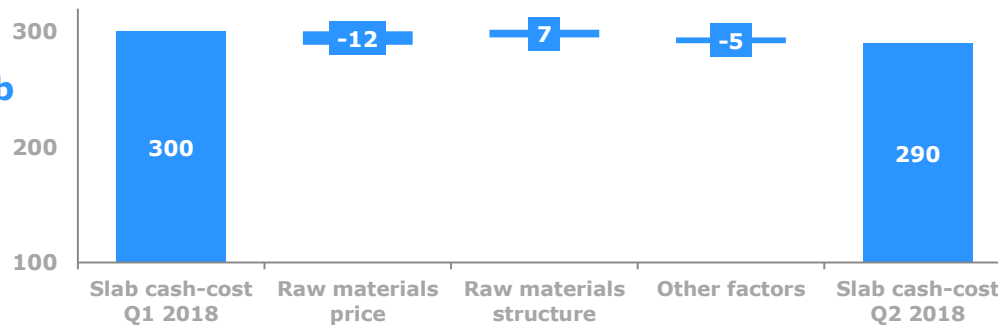
Analysis of key financial highlights

Analysis of revenue, mIn USD



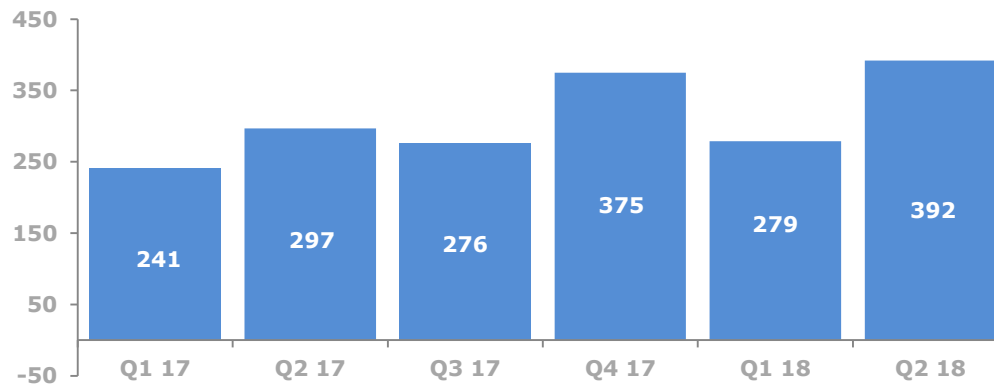
Key revenue drivers in Q2 2018 were higher sale prices for MMK products and higher shipments from warehouses.

Cash cost of slab performance, USD/t



The cash cost of slab in Q2 2018 decreased by USD 10 USD per tonne, or 3.3%. This was mainly due to lower prices for key raw materials in USD terms.

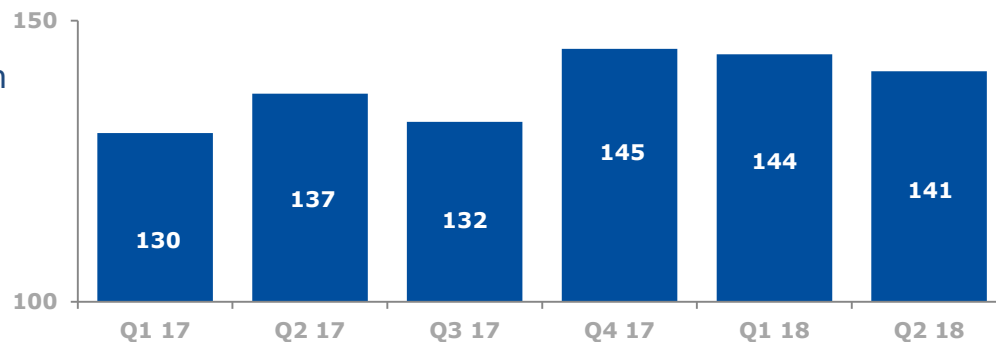
Net profit, mIn USD



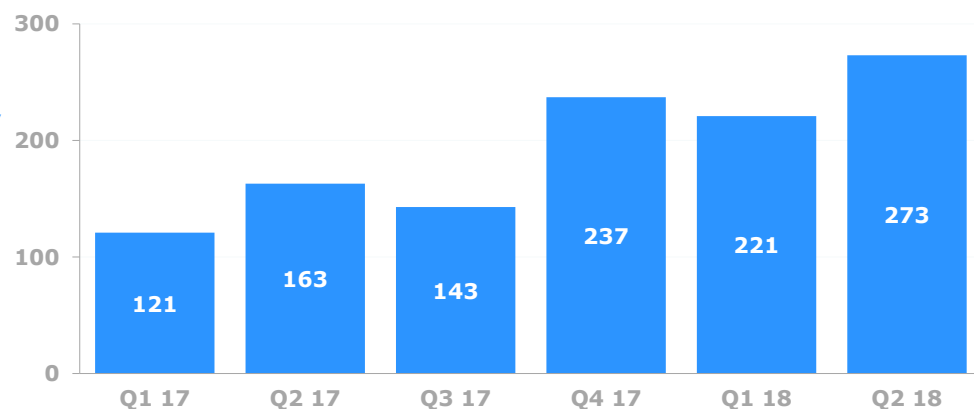
In Q2 2018, net profit grew by USD 113 mln USD, or 40.5% q-o-q.



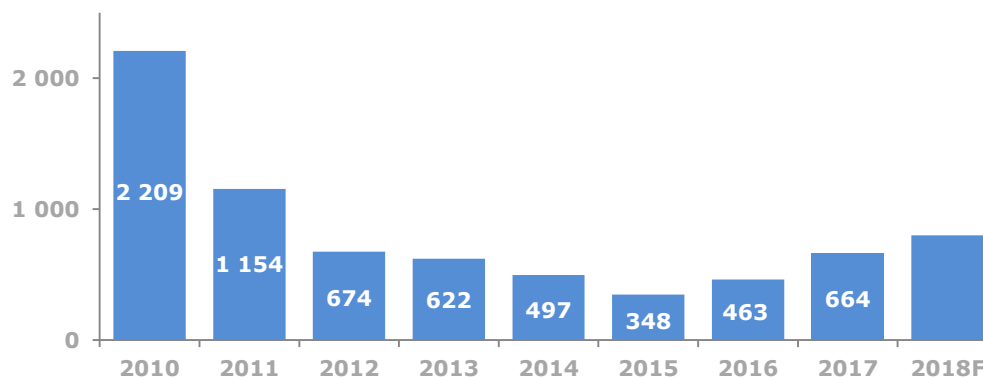
Depreciation, mln USD



Quarterly CAPEX, mln USD



Balanced approach to investments, mln USD



In Q2 2018, MMK Group's capex amounted to USD 273 mln, up 23.5% q-o-q. This growth was due to a number of advance payments for deliveries of equipment for sinter plant No. 5.

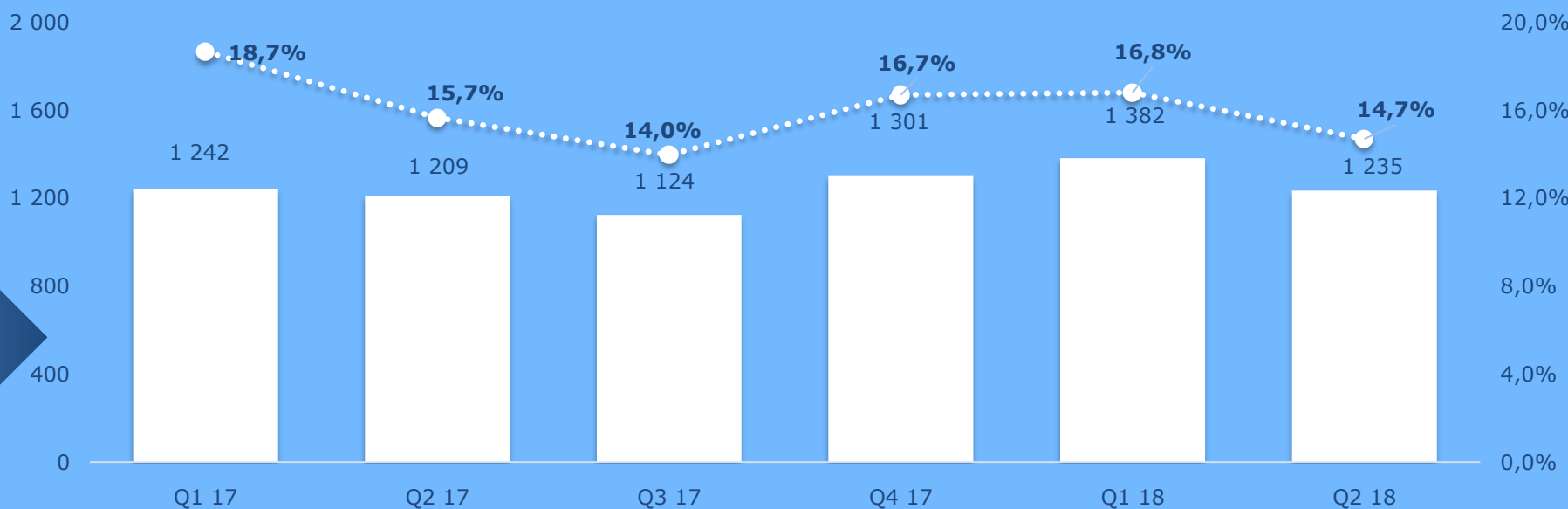
Capital expenditure for FY 2018 is expected to be slightly above USD 800 mln (at current RUB-USD exchange rates). Of this, USD 494 mln was invested in H1 2018. Thus, a reduction in the capex run-rate can be expected in H2 2018 compared to H1 2018.

The principal driver of capex growth in 2018 compared to the original plan is due to investments for part of the project being brought forward due to an acceleration of the Company's investment programme.

Sustainable generation of positive free cash flow (FCF)

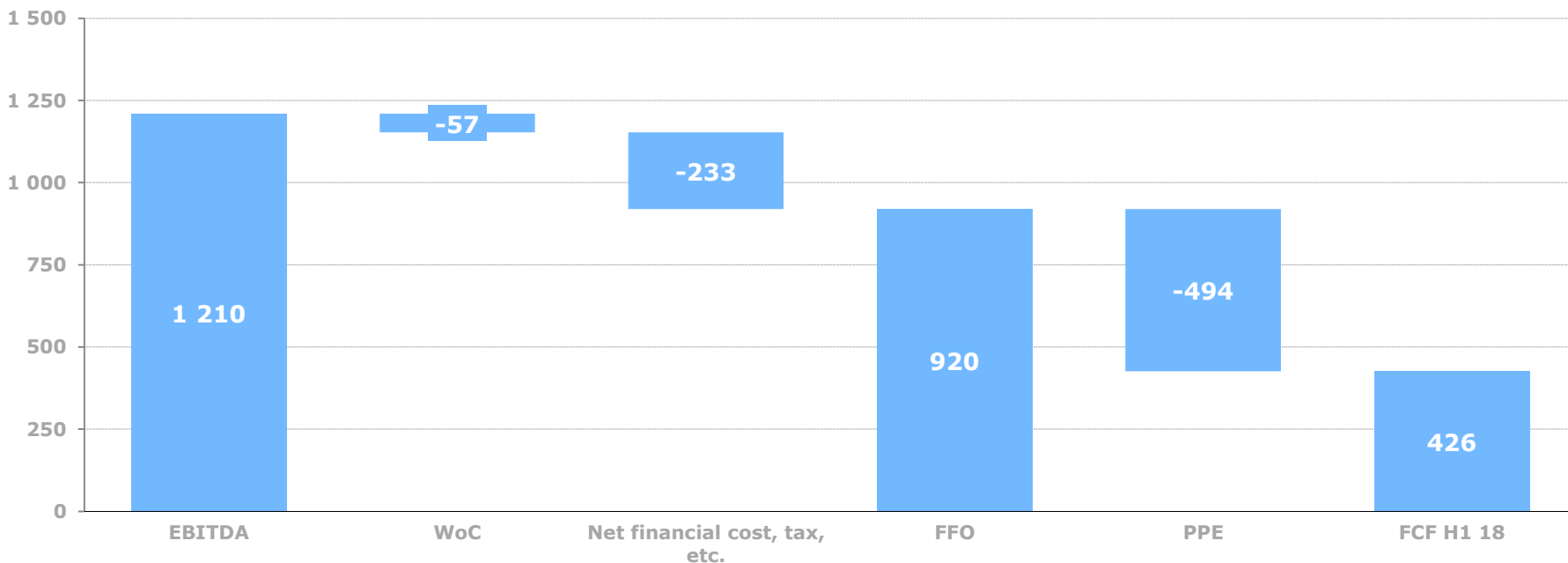


As of the end of Q2 2018, the working capital/revenue ratio was **14.7%**



Net working capital, mIn USD

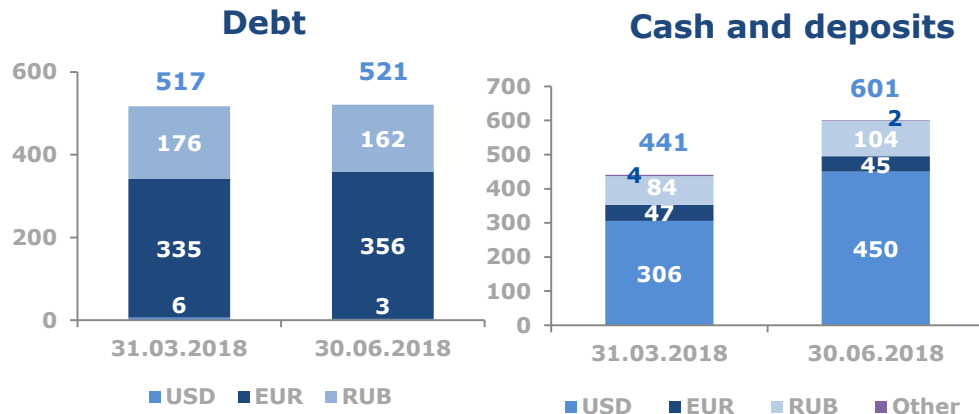
Sustainable generation of positive free cash flow (FCF) in H1 2018, mIn USD





MMK Group's debt profile

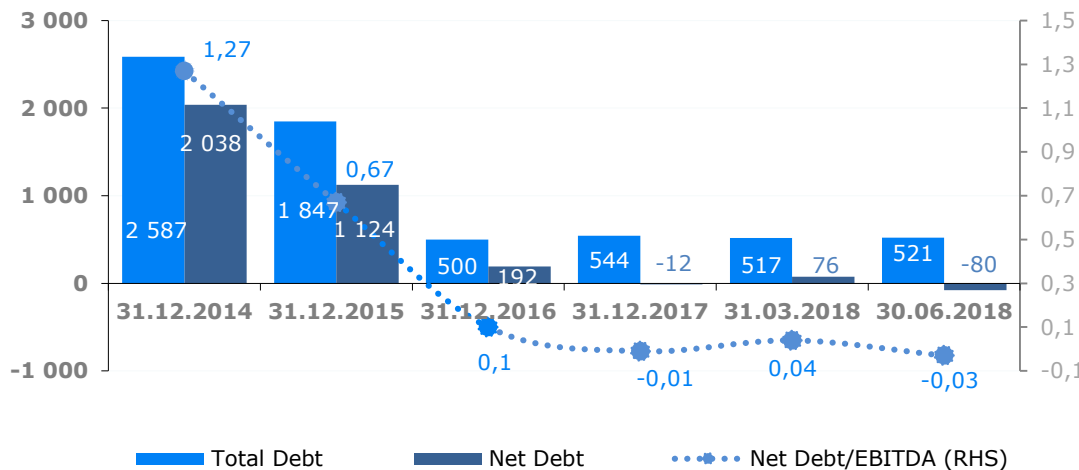
Debt and cash funds structure by currency, mln USD



As of the end of Q2 2018, MMK Group's total debt amounted to USD 521 mln.

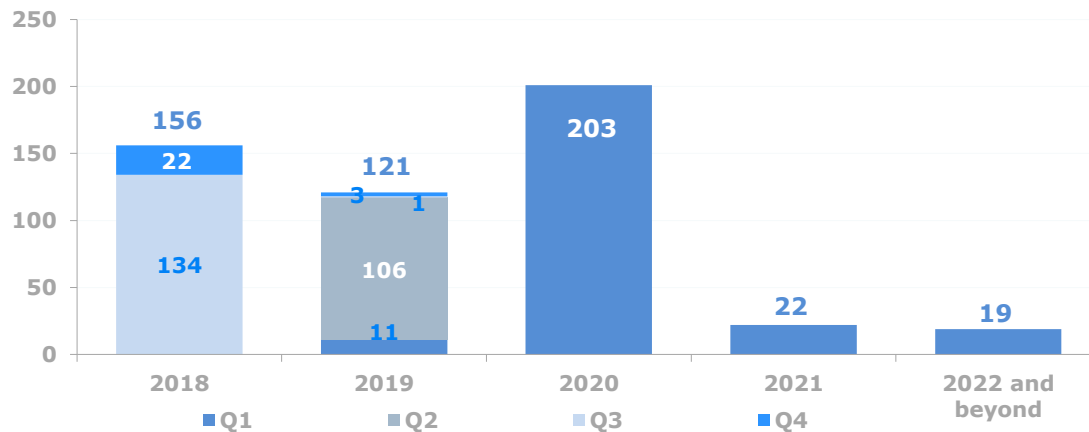
As of 30.06.2018, debt denominated in foreign currencies (USD, EUR) accounted for approximately 69% of the total.

High level of liquidity, mln USD



Cash and deposits on the balance sheet (USD 601 mln) fully covers MMK Group's debt.

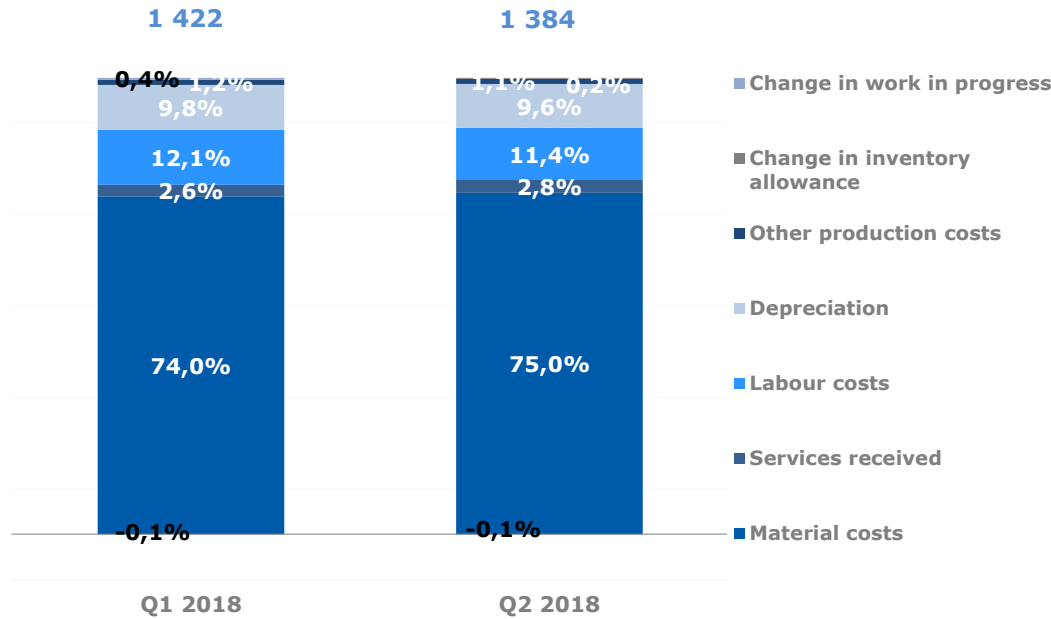
Debt maturity schedule, mln USD



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

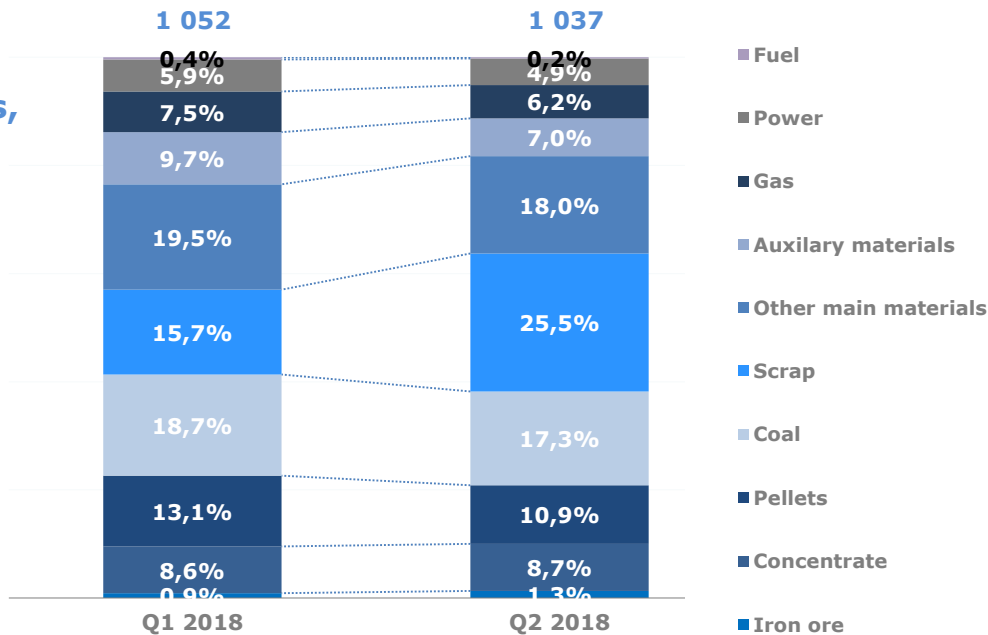


MMK Group's cost of sales, mln USD



In Q2 2018, the share of scrap in the structure of MMK's material costs continued to grow due to higher capacity utilisation of EAFs during the schedule maintenance of blast furnace No. 1

MMK Group's material costs, mln USD



The share of pellets in the structure of MMK's material costs decreased due to lower needs for raw materials for pig iron production.



Dividends

On 1 July 2018, MMK's Board of Directors recommended that the Extraordinary General Meeting of Shareholders pay **dividends for Q2 2018 of RUB 1.589 per share** (before tax)

Thus, the dividends recommended to be paid for Q2 2018 would amount to approximately **USD 281 mln** (based on the current exchange rate) or **100% of FCF for the period**

The Board of Directors also recommended to set the Q2 2018 dividend record date as **the close of trading on 9 October 2018**

Comments on market situation

The Company currently sees healthy demand for metal on its sales markets, which ensures full capacity utilization and supports the price premium on domestic market.

The Company's financial performance in Q3 2018 will be affected by some correction in the price of steel amid lower business activity on sales markets and stabilisation in prices for key raw materials.

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