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

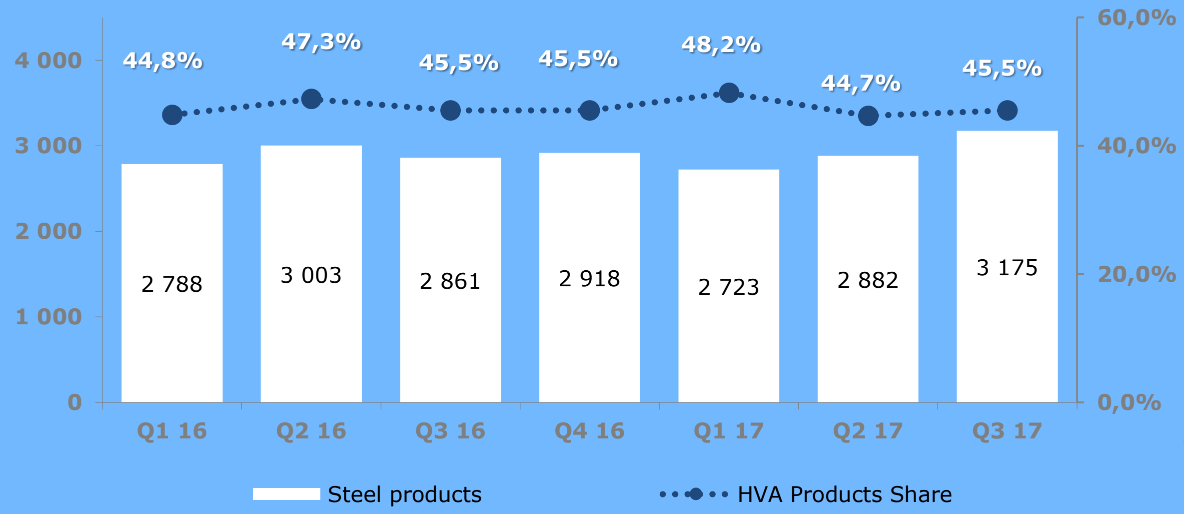
Key production highlights

Key production indicators, ths tonnes

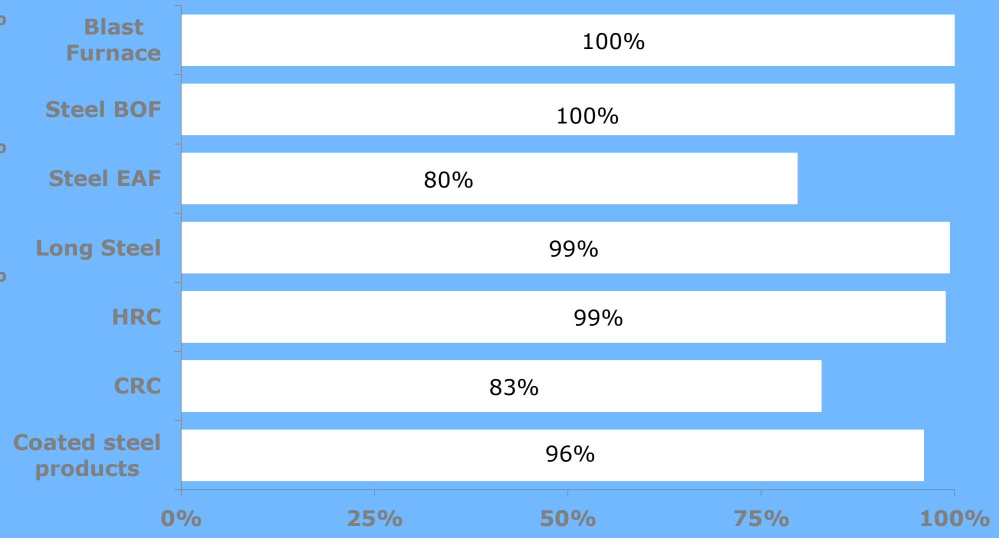
	Q3'17	Q2'17	%	9M'17	9M'16	%
Pig iron	2,559	2,578	-0.8%	7,509	7,283	3.1%
Crude steel	3,321	3,182	4.4%	9,569	9,387	1.9%
MMK	3,321	3,182	4.4%	9,569	9,387	1.9%
Finished products incl.	3,175	2,882	10.2%	8,759	8,652	1.2%
MMK	3,091	2,780	11.2%	8,546	8,484	0.7%
MMK-Metiz*	117	111	4.8%	332	306	8.5%
MMK Metalurji*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



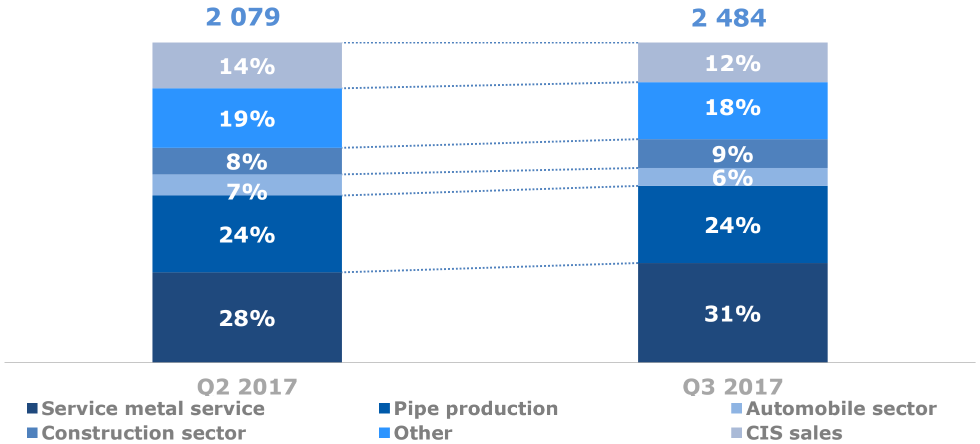
Key capacities utilisation rates, Q3 2017, %



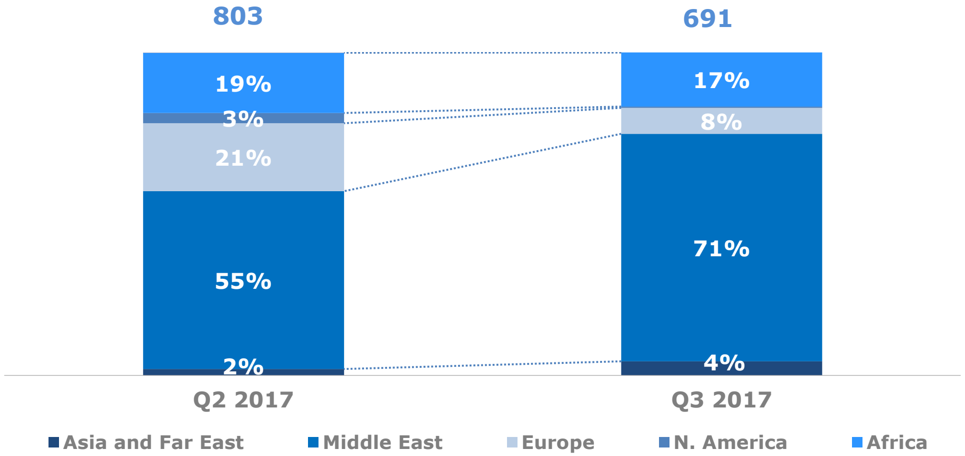
Source: MMK

MMK Group's sales structure on key markets

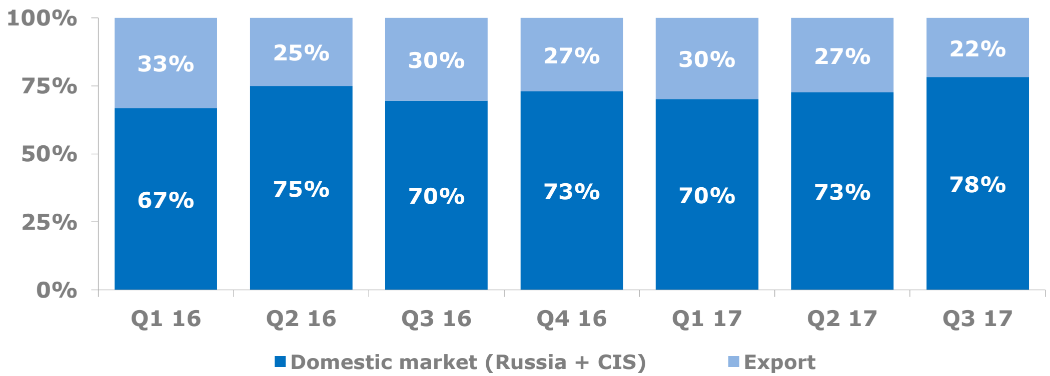
Russia and CIS market sales by sector
ths tonnes



International market sales by region
ths tonnes



Sales share by market
ths tonnes

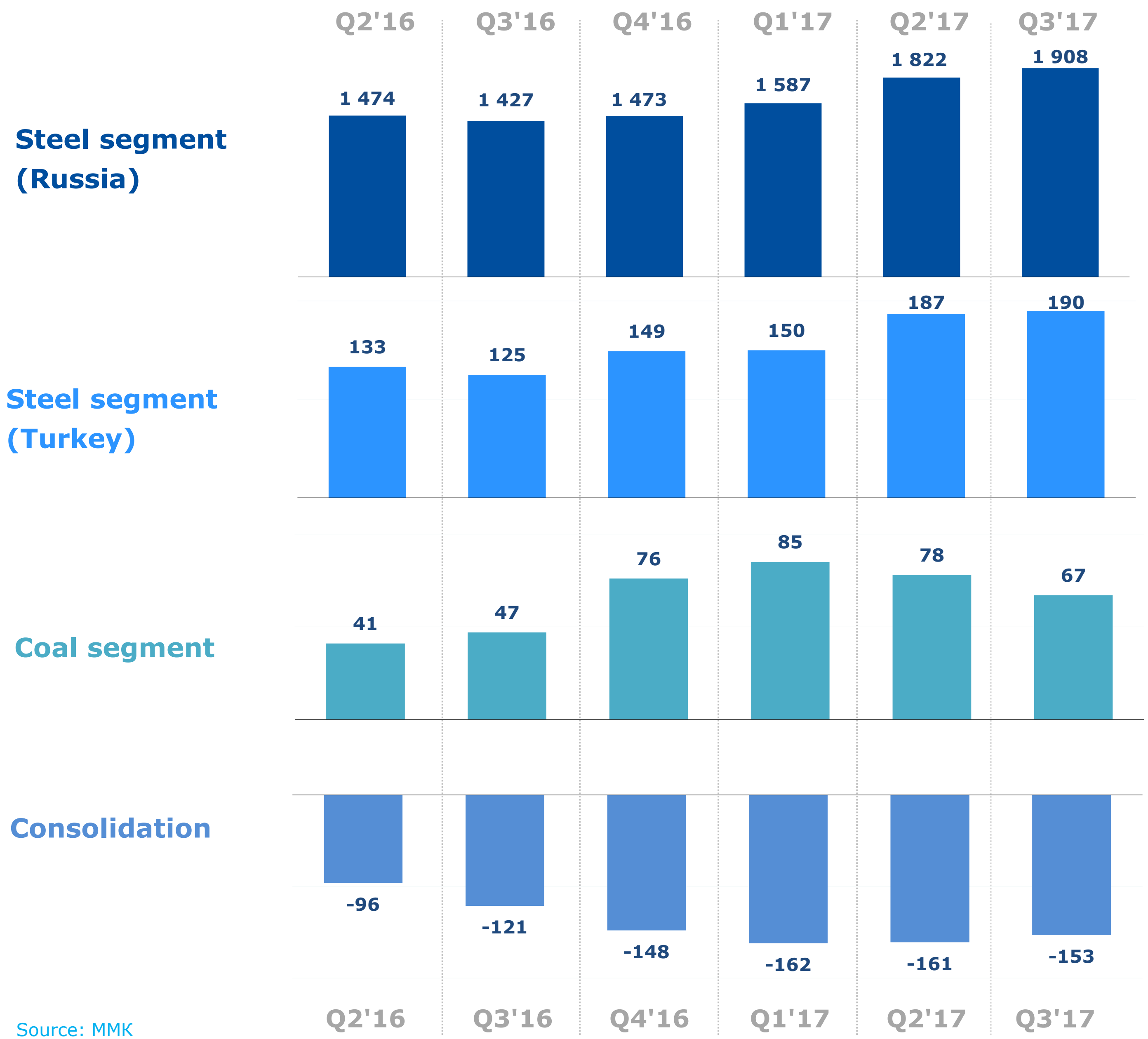


Source: MMK

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



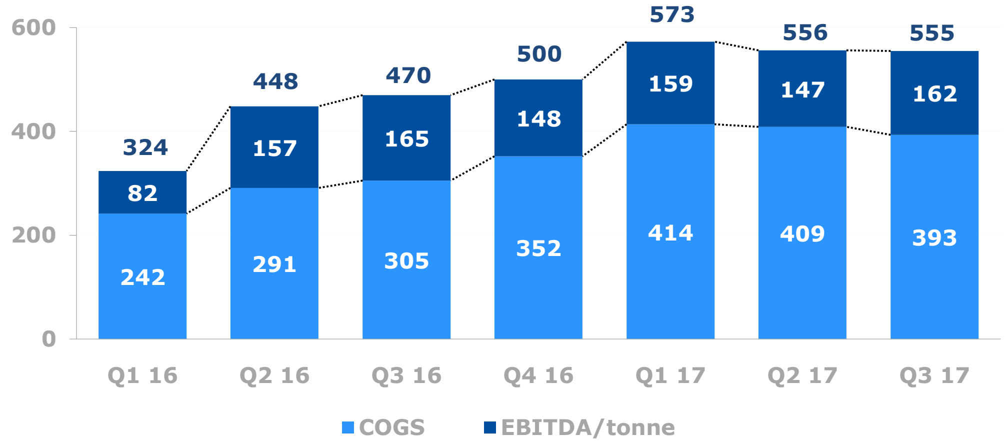
Source: MMK

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

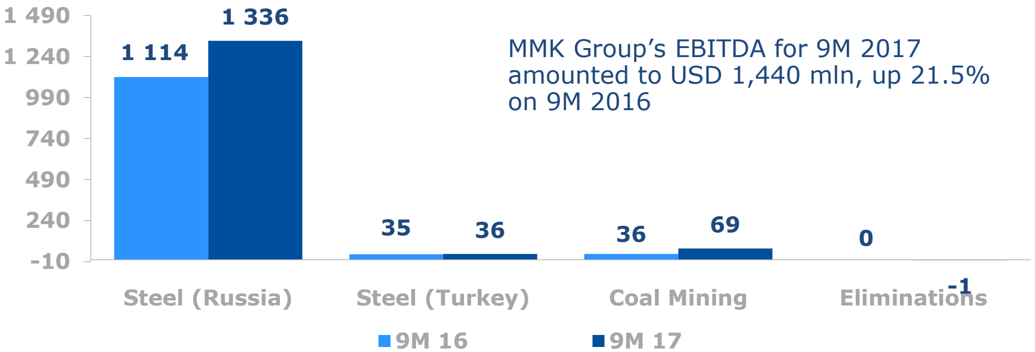
- Key growth factors included increase in sales volumes, reduction in the volume of finished product on inventory in warehouses, and stable USD steel prices

MMK Group's key financial highlights

EBITDA/t vs metal sale price
USD/t

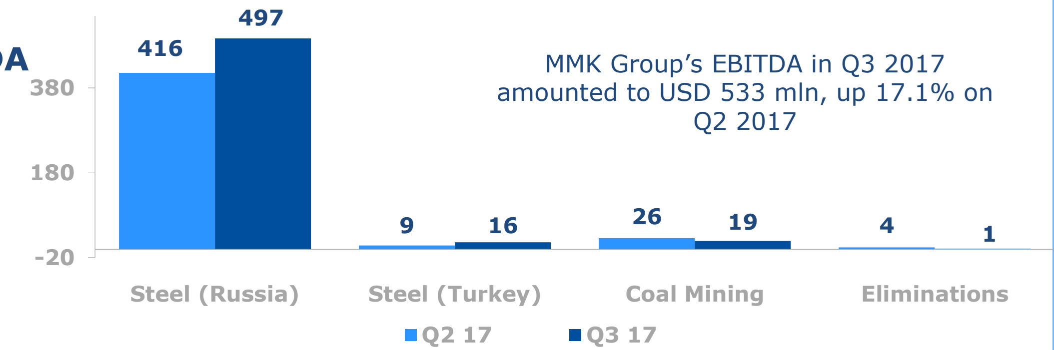


Annual EBITDA* dynamics
mln USD



MMK Group's EBITDA for 9M 2017 amounted to USD 1,440 mln, up 21.5% on 9M 2016

Quarterly EBITDA dynamics
mln USD



MMK Group's EBITDA in Q3 2017 amounted to USD 533 mln, up 17.1% on Q2 2017

Source: MMK

* - Adjusted to the effect from FMG stake sale in 2016

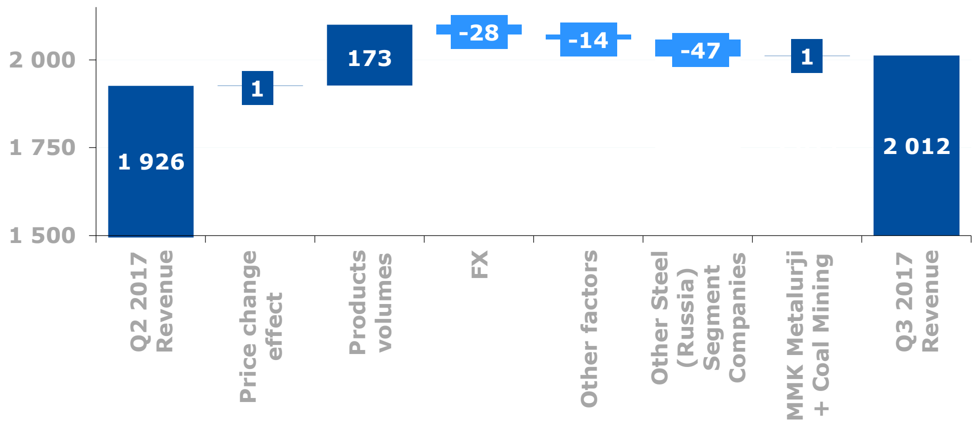
In Q3 2017, average sales price remained flat quarter-on-quarter, while EBITDA per tonne of steel grew 10.2%

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

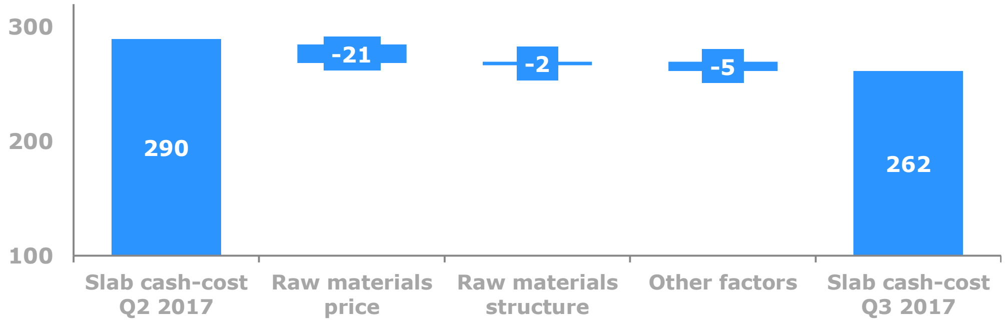
The coal segment's EBITDA in 9M 2017 nearly doubled year-on-year and amounted to USD 69 mln. This was due to the significant increase in coking coal prices on the global markets

Analysis of key financial highlights

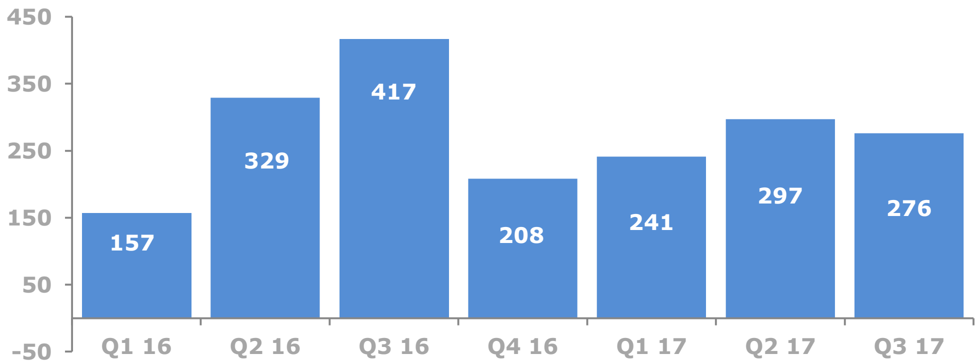
Analysis of revenue
mln USD



Cash-cost of slab performance
USD/t



Net profit
mln USD

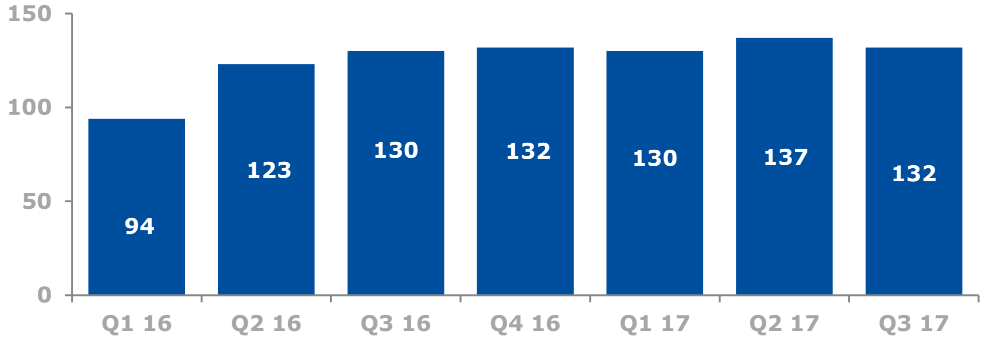


Source: MMK

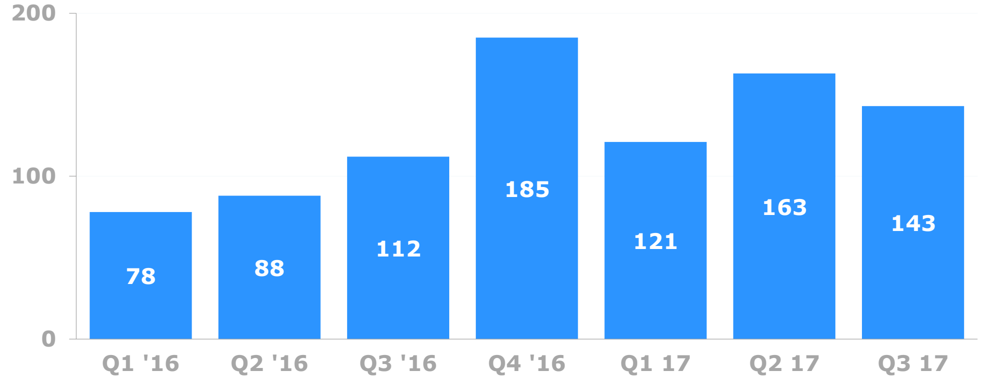
- Key factors which affected revenue in Q3 2017 were higher sales volumes and stable high prices
- Cash-cost of slab in Q3 2017 declined by USD 28 USD per tonne, or 9.7%. A key factor for the decline (by USD 21 per tonne) was a decrease in prices for key raw materials
- In Q3 2017, the Company's net profit amounted to USD 276 mln (down 7.1% on the previous quarter)

Depreciation and CAPEX

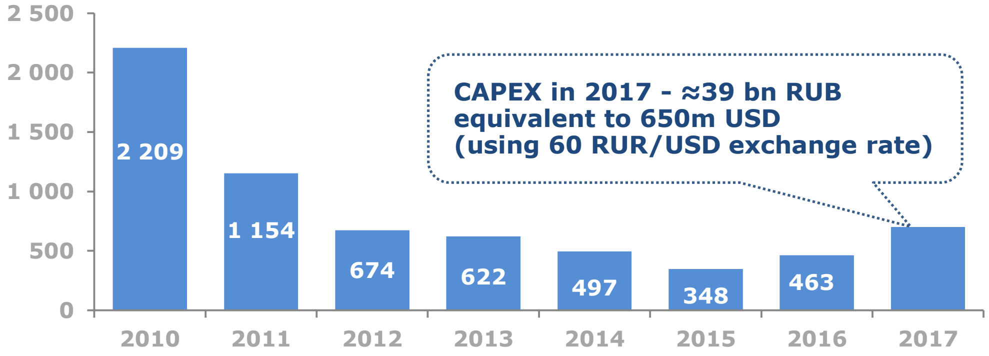
Depreciation
mln USD



Quarterly CAPEX
mln USD



Balanced approach to investments
mln USD



Source: MMK

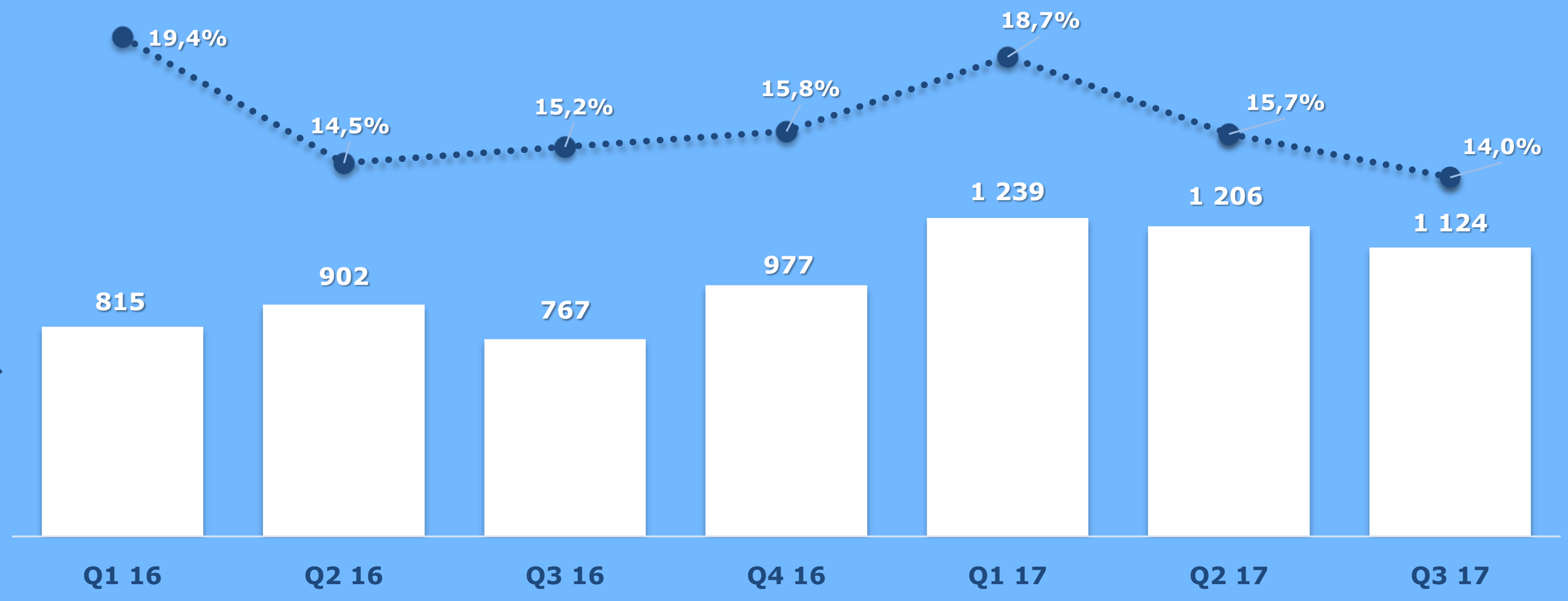
In Q3 2017, MMK Group's CAPEX amounted to USD 143 mln. The decrease compared to the previous quarter corresponds to the scheduled implementation of investment projects and is partially due to the weaker RUB exchange rate

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

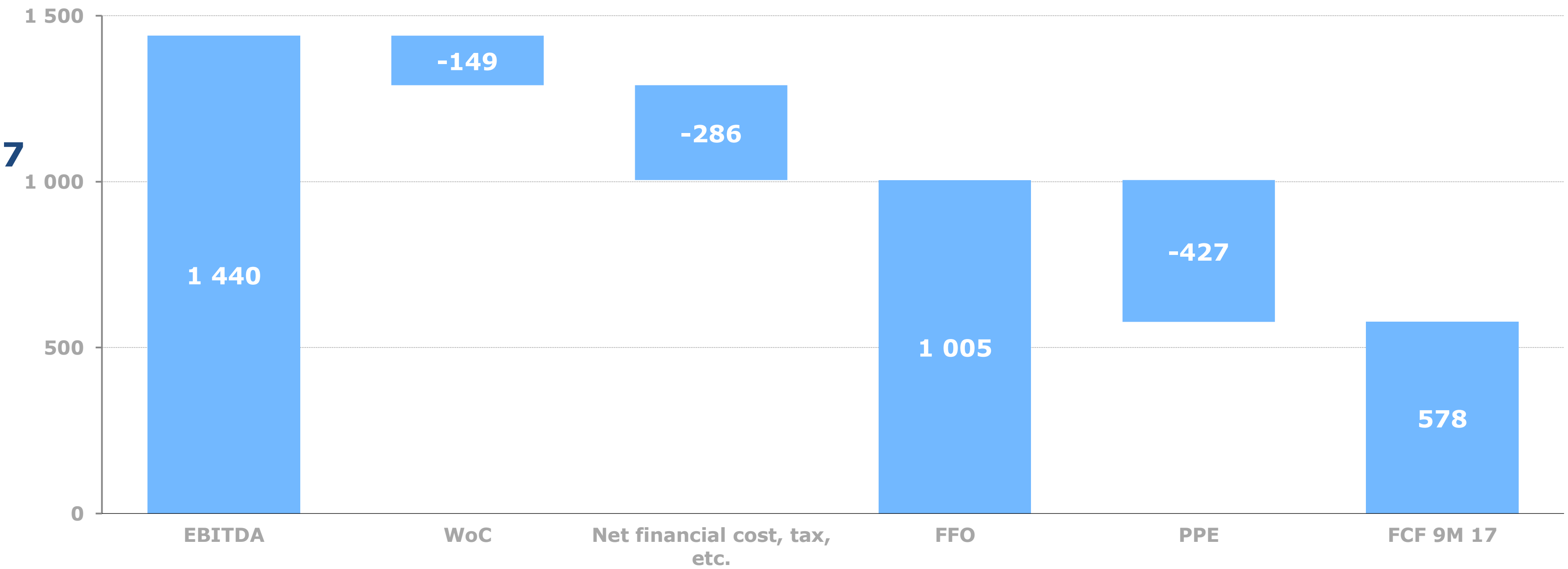
Sustainable generation of positive free cash flow (FCF)

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

Net working capital
mln USD



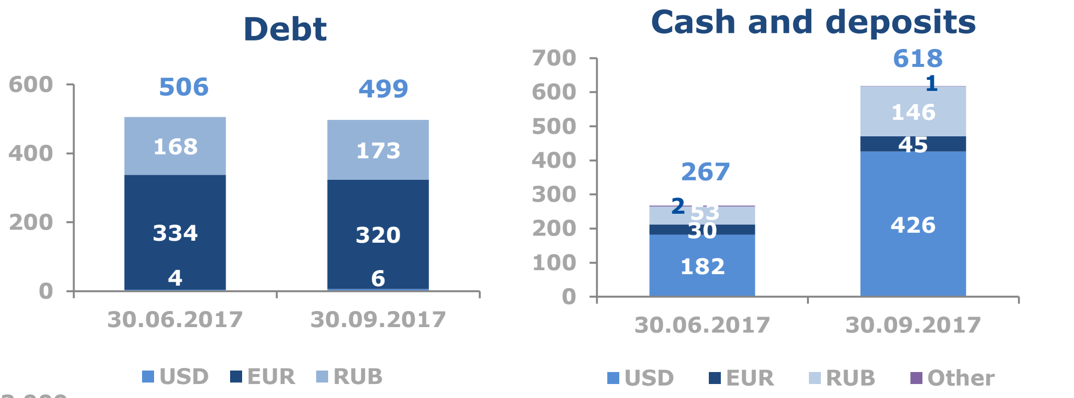
Sustainable generation of positive free cash flow (FCF), 9M 2017
mln USD



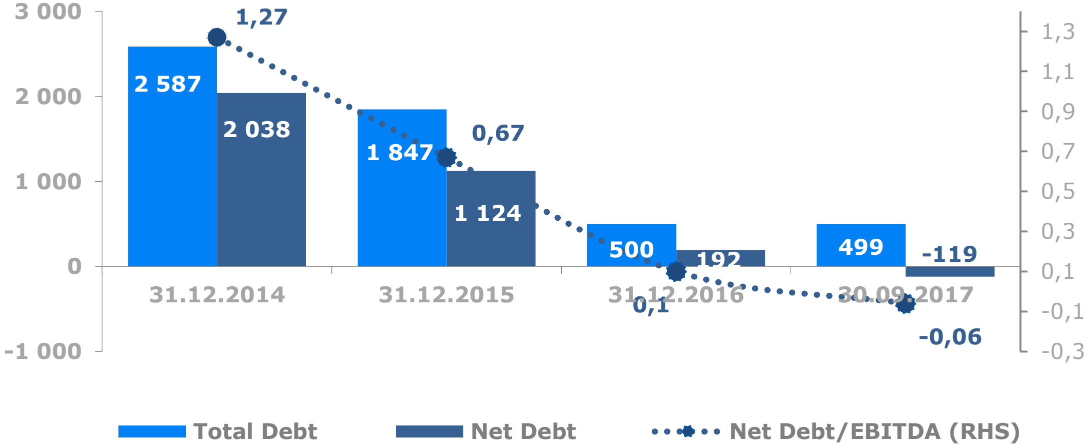
Source: MMK

MMK Group's debt profile

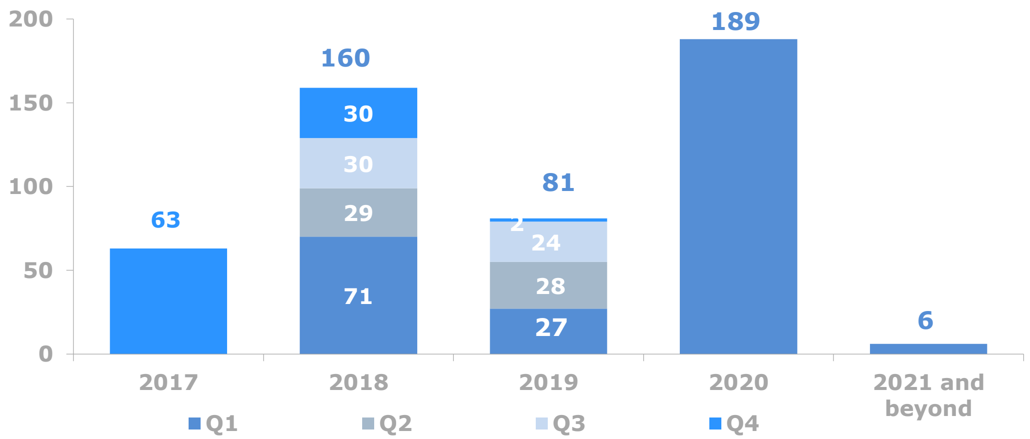
Debt and cash funds structure by currency
mln USD



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

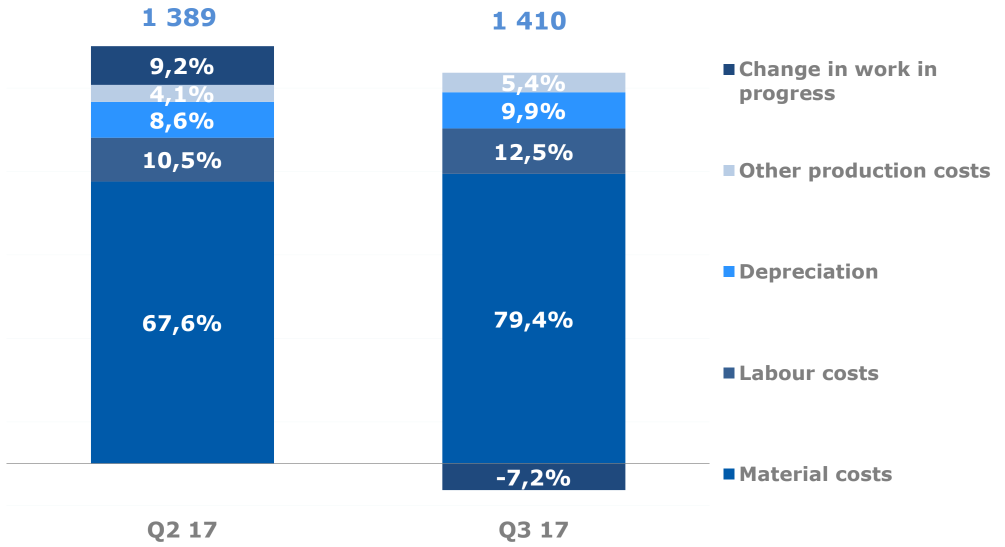
The share of debt which is denominated in foreign currencies (USD, EUR) as of 30.09.2017 amounted to approx. 76%

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

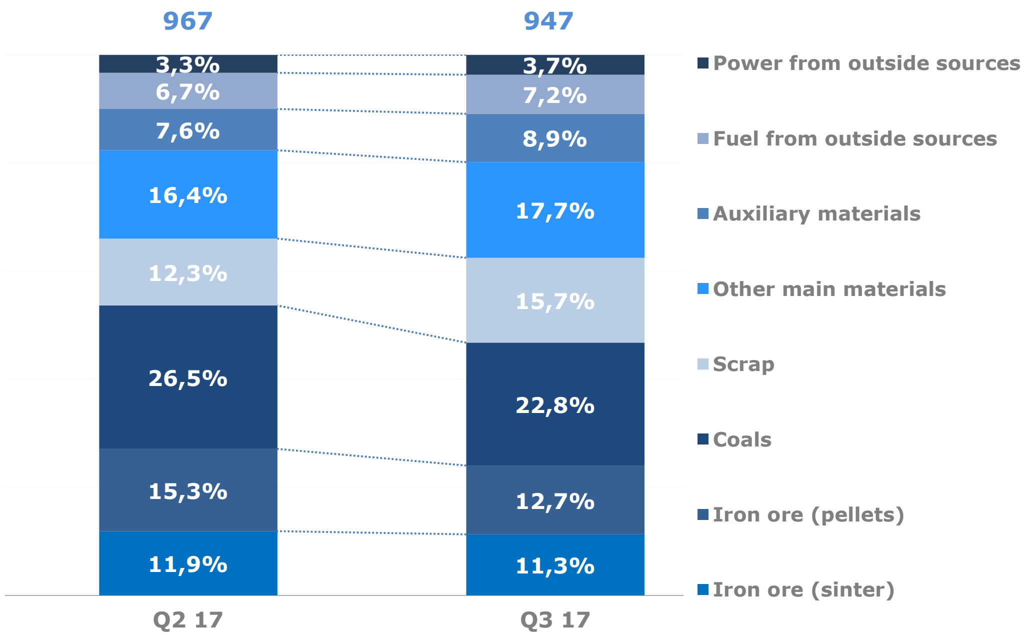
The debt maturity schedule does not presume any significant one-off payments.

Cost of sales and structure of material costs

MMK Group's cost of sales
mln USD



MMK's materia costs
mln USD



Source: MMK

- 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

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.

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