



**MAGNITOGORSK  
IRON & STEEL  
WORKS**

# **IFRS financial statements for Q1 2019**



30 April 2019

gelivostok.ru



# Key highlights for MMK Group

1



## Q1 2019 results vs. Q4 2018 and Q1 2018

Revenue	<b>USD 1,836 mln</b>	down 6.4% on Q4 2018	down 10.7% on Q1 2018
Cost of sales	<b>USD 1,321 mln</b>	down 4.8% on Q4 2018	down 7.1% on Q1 2018
EBITDA	<b>USD 440 mln</b>	down 18.1% on Q4 2018	down 21.4% on Q1 2018
EBITDA margin	<b>24.0%</b>	down 3.4 p.p. on Q4 2018	down 3.3 p.p. on Q1 2018
Net profit	<b>USD 225 mln</b>	down 8.2% on Q4 2018	down 19.4% on Q1 2018
Slab cash-cost	<b>304 USD/tonne</b>	up 2.0% on Q4 2018	up 1.3% on Q1 2018
Free cash flow (FCF)	<b>USD 260 mln</b>	up 8.8% on Q4 2018	up 79.3% on Q1 2018
CAPEX	<b>USD 158 mln</b>	down 22.5% on Q4 2018	down 28.5% on Q1 2018

## Dividends

Strong cash flow generation and low debt allowed the management of the Company to propose to the Board of Directors to recommend AGM a divided payment of RUB 1.488 per ordinary share for Q1 2019.

The total dividend payout for the quarter in this case will amount to USD 260 mln (100% of FCF for Q1 2019).

The Board of directors will pass this decision today – on April 30th.

# Key operational indicators

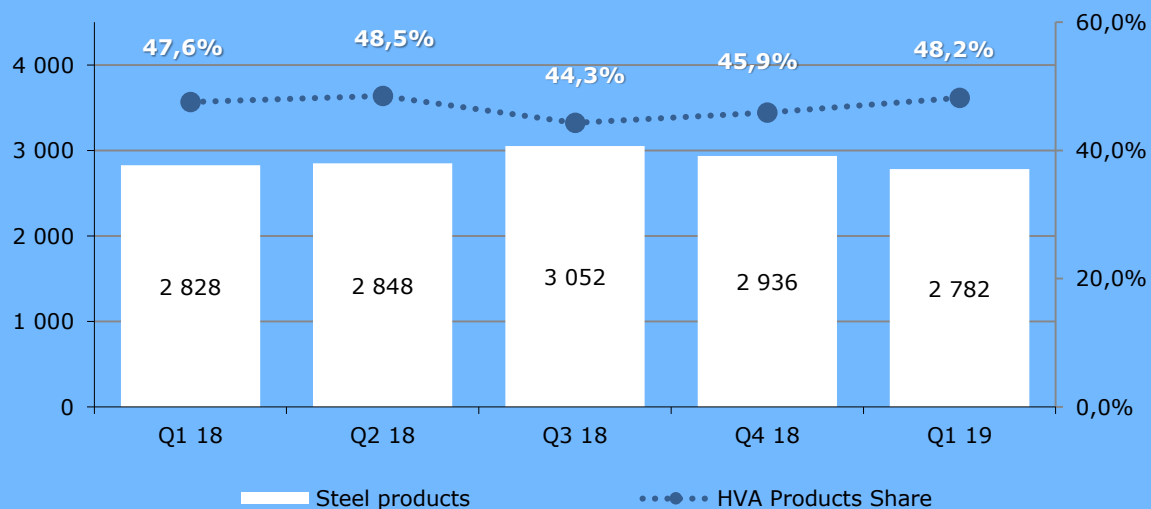


## Key indicators, ths tonnes

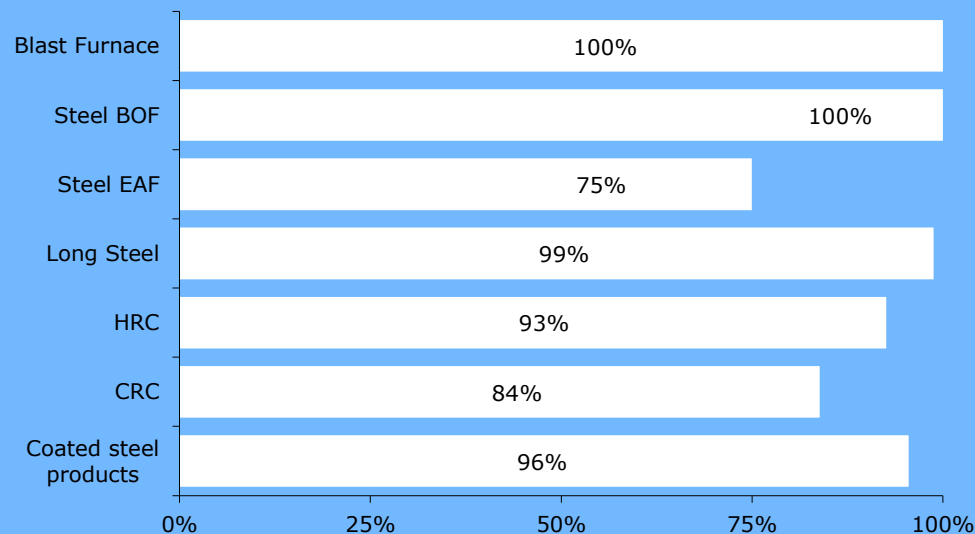
	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
<b>Pig iron production</b>	2,396	2,558	-6.3%	2,396	2,404	-0.3%
<b>Crude steel production</b>	3,107	3,112	-0.2%	3,107	3,147	-1.3%
MMK	3,107	3,112	-0.2%	3,107	3,147	-1.3%
<b>Finished products, incl.</b>	2,782	2,936	-5.2%	2,782	2,828	-1.6%
MMK	2,731	2,812	-2.9%	2,731	2,830	-3.5%
MMK-Metiz*	110	106	3.7%	110	110	-0.5%
MMK Metalurji*	176	202	-12.9%	176	231	-23.8%
<b>HVA products</b>	1,342	1,349	-0.5%	1,342	1,345	-0.2%
<b>Coking coal concentrate</b>	777	781	-0.5%	777	666	16.7%

\* - incl. made from MMK steel

## MMK Group finished products dynamics, ths tonnes

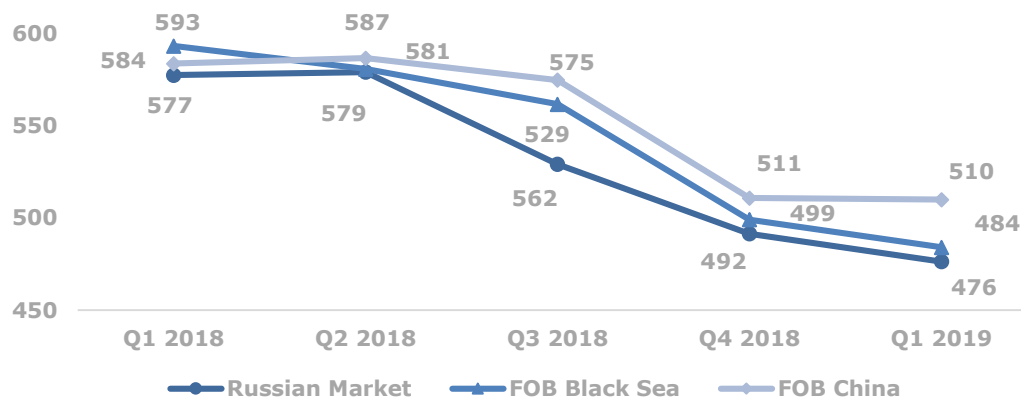


## Key capacity utilisation rates, Q1 2019, %



# MMK Group's sales structure on key markets

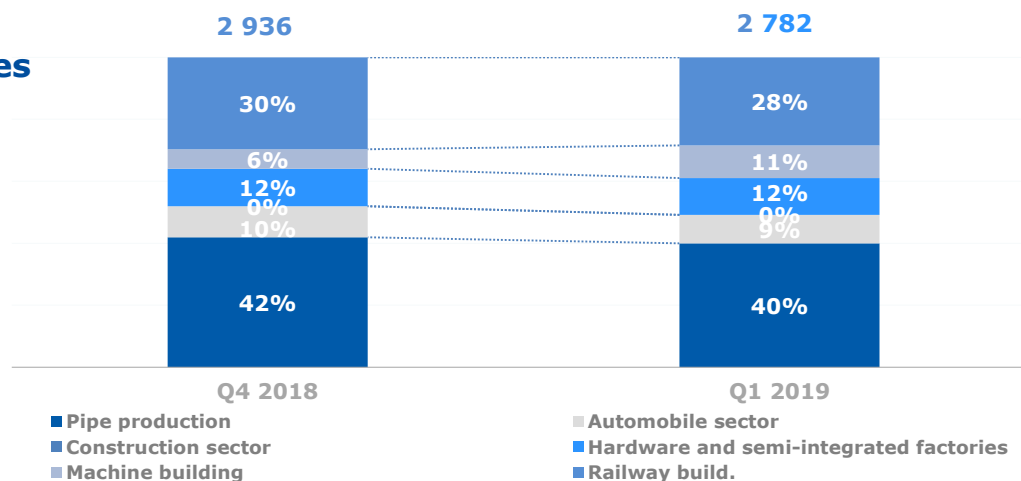
## HRC price dynamics USD/t



Average realized HRC price in Q1 2019 was lower q-o-q

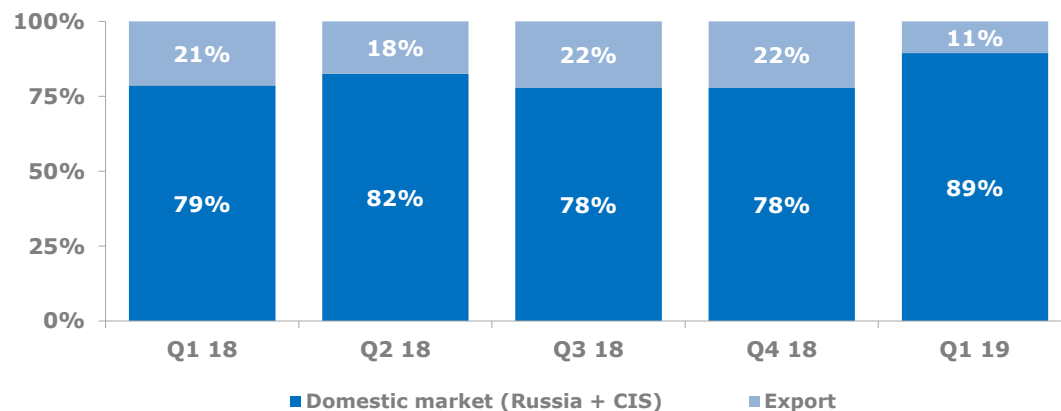
In Q1 2019, the Company increased the volume of shipments of Mill 5000's thick plate to producers of large diameter pipes. The growth is linked to the implementation of large pipeline projects by Gazprom. This allows the Company to expect high capacity utilisation rates of the thick plate mill through the end of the year

## Consolidated sales by product, tht tonnes



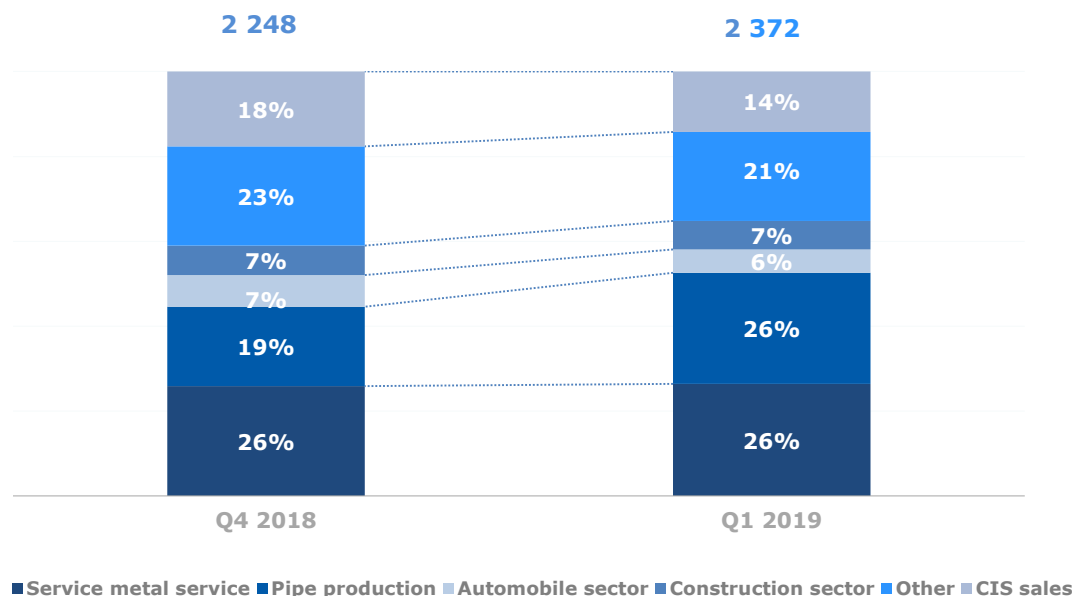
Solid demand for metal on the domestic market and reorientation of thick plate sales from export allowed the Company to increase the share of domestic sales to 89%

## MMK sales share by market, tht tonnes



# MMK Group's sales structure on key market

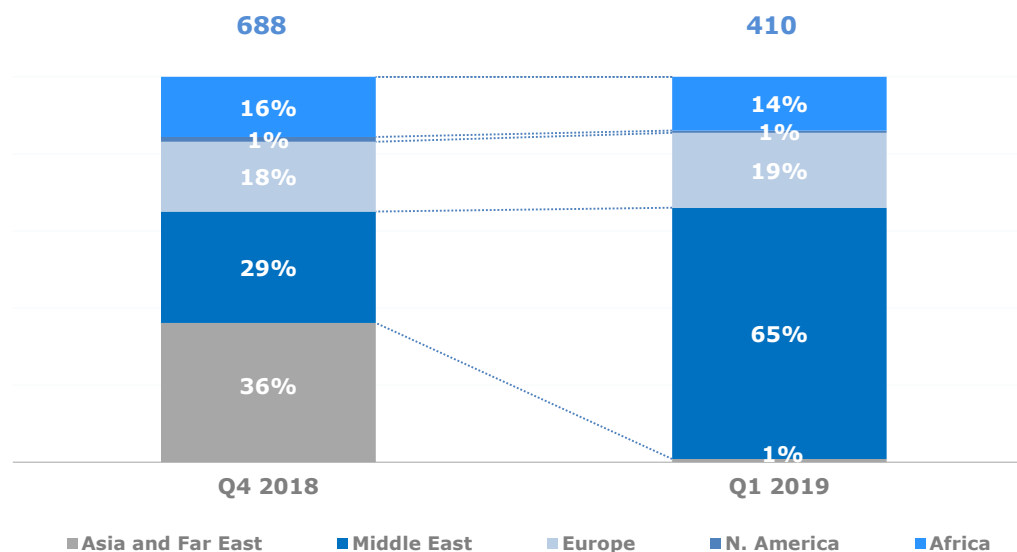
## Russia and CIS market sales by sector, ths tonnes



In Q1 2019, the share of metal shipments to pipemakers significantly grew amid strong demand for Mill 5000's thick plate

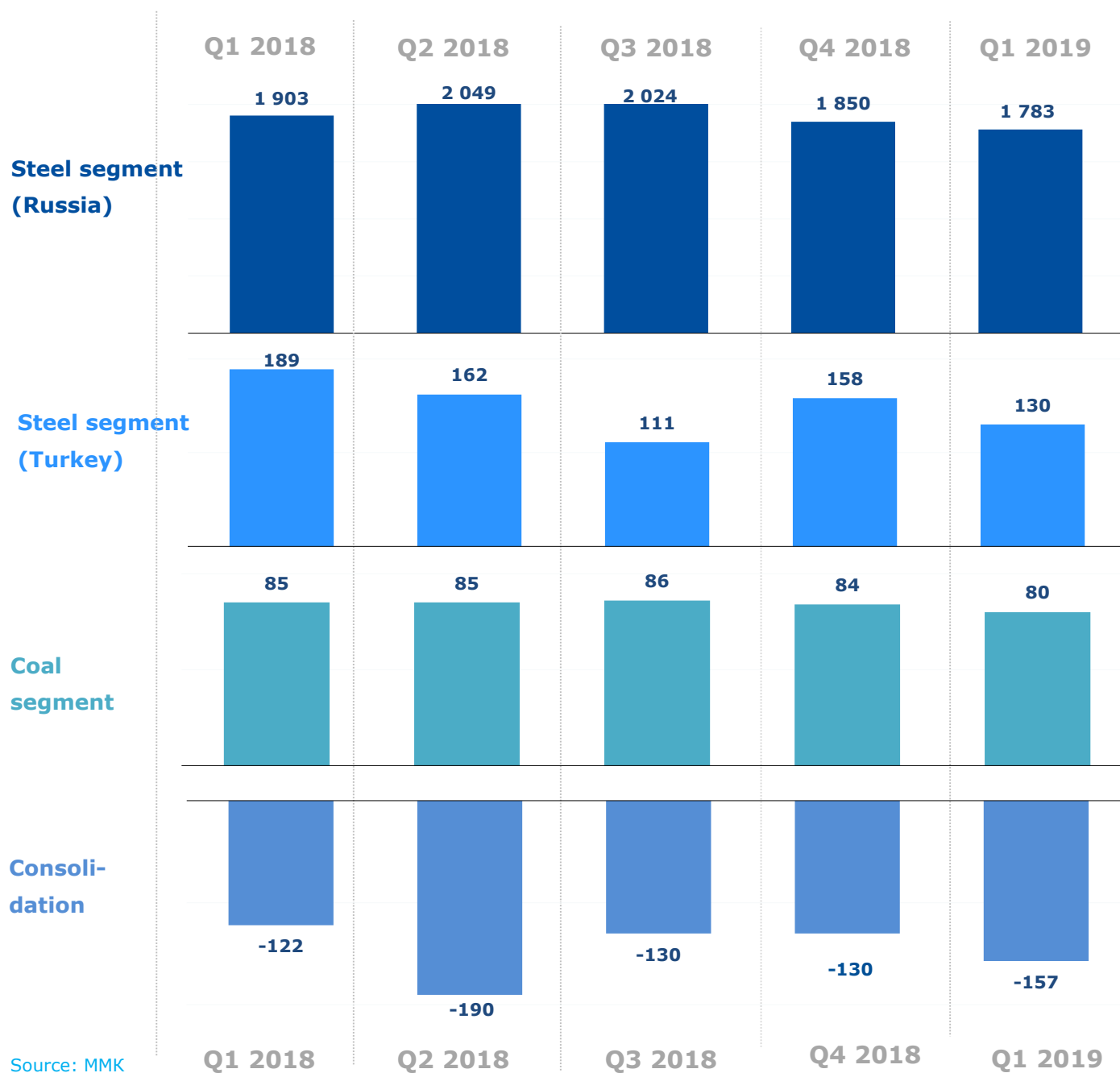
Flexibility in export sales allowed the Company to relocate the sales volumes to the markets with the highest margins

## International market sales by region, ths tonnes





# MMK Group's revenue by segment, mln USD



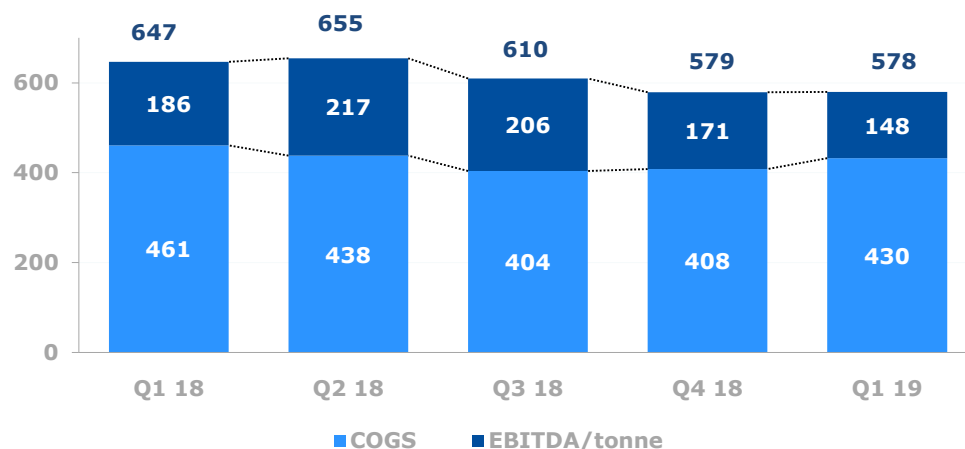
➤ In Q1 2019, the Group's revenue amounted to USD 1,836 mln, down 6.4 % q-o-q

➤ Decline in revenue for steel segment (Turkey) in Q1 2019 was due to a decrease in the volume of sales of finished products by 12.9% q-o-q and the continued impact of external unfavourable factors, such as the challenging political and economic situation in Turkey

# MMK Group's key financial highlights



**EBITDA/t vs metal  
sale price, USD/t**



In Q1 2019, average sales price was flat q-o-q. At the same time, EBITDA per tonne of metal declined by 13.5% q-o-q due to an increase in prices for key raw materials

**EBITDA dynamics  
- Q1 2019 vs. Q1  
2018,  
mln USD**



EBITDA of steel segment (Russia) in Q1 2019 declined by 21.4% y-o-y due to lower production volumes, higher prices for raw materials and the rouble depreciation against the US dollar

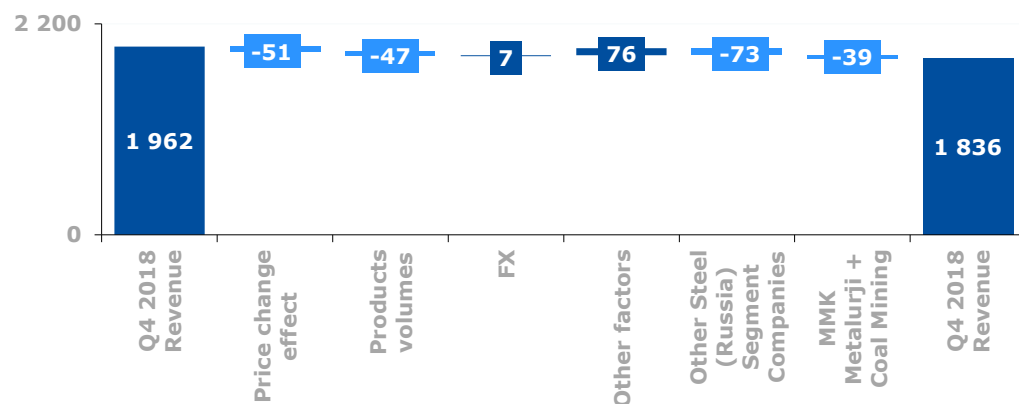
**EBITDA dynamics  
- Q1 2019 vs. Q4  
2018,  
mln USD**



EBITDA loss for steel segment (Turkey) in Q1 2019 dropped by more than twofold vs. Q4 2018

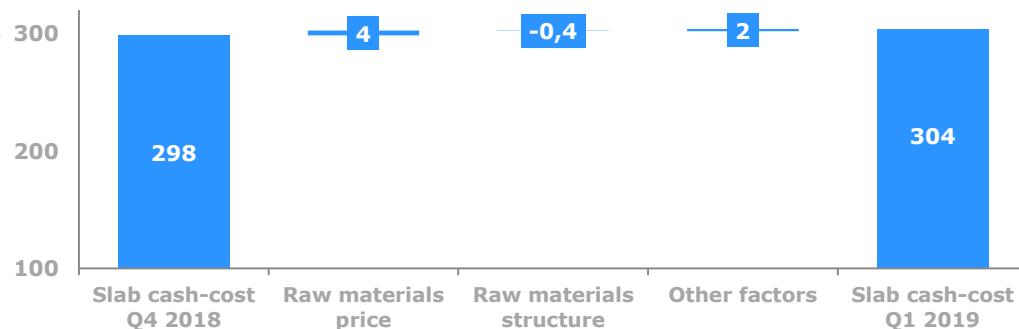
# Analysis of key financial highlights

## Analysis of revenue, mln USD



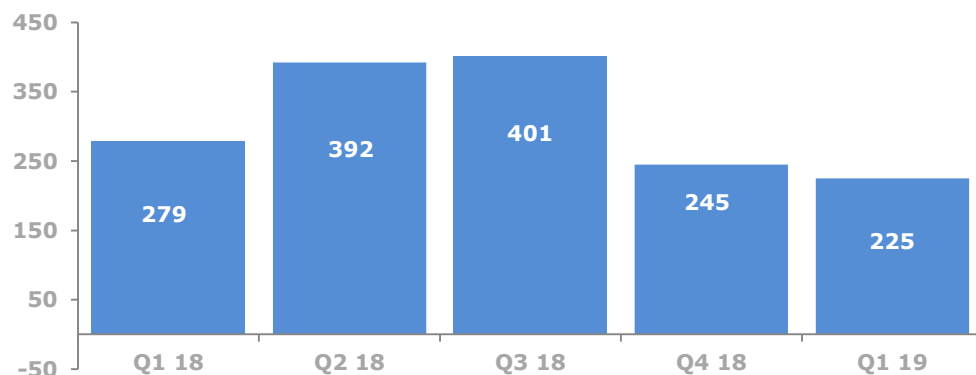
Key factors which affected revenue in Q1 2019 were lower sales volumes amid price correction

## Cash cost of slab performance, USD/t



Cash cost of slab in Q1 2019 increased by USD 6 per tonne, or by 2.0%. The key growth factor (by USD 4 per tonne) was growth in prices for key materials in the US dollars

## Net profit, mln USD

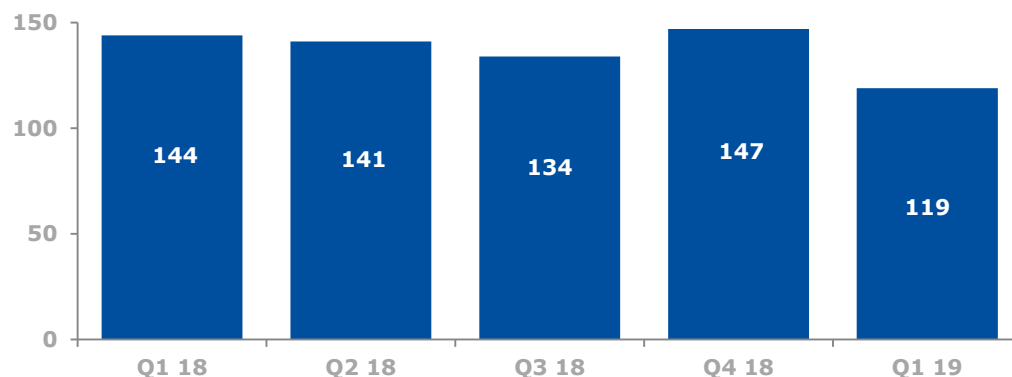


In Q1 2019, net profit amounted to USD 225 mln, down 8.2% y-o-y



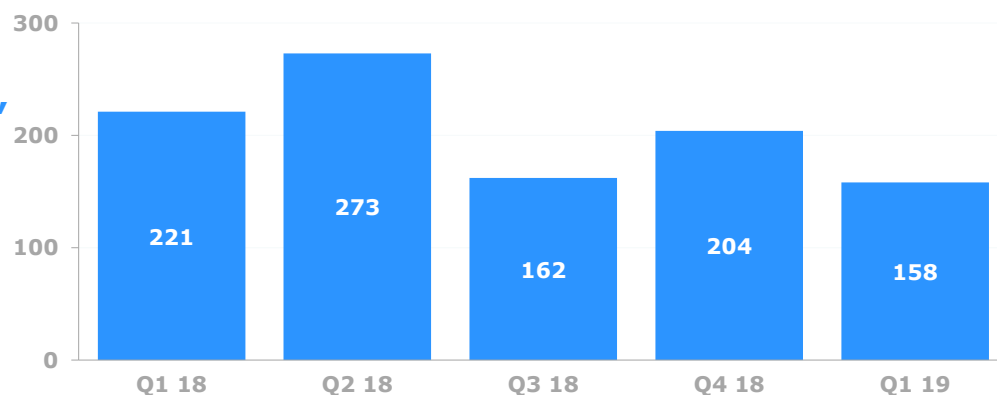


**Depreciation,**  
mln USD



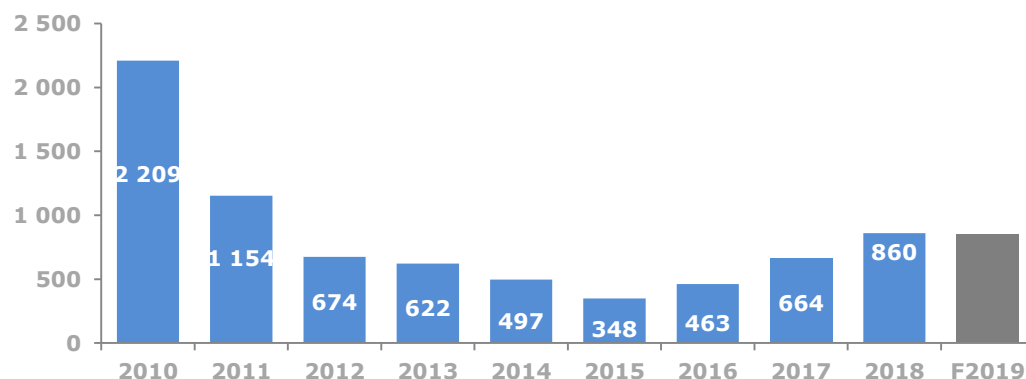
In Q1 2019, MMK Group's CAPEX amounted to USD 158 mln, down 22.5% q-o-q due to seasonality and commissioning of the first phase of sinter plant No. 5

**Quarterly CAPEX,**  
mln USD



Key projects in 2019 will include commissioning of sinter plant No. 5, start of construction of a new coke battery complex and reconstruction of hot-rolling Mill 2500

**Balanced approach to investments**  
mln USD



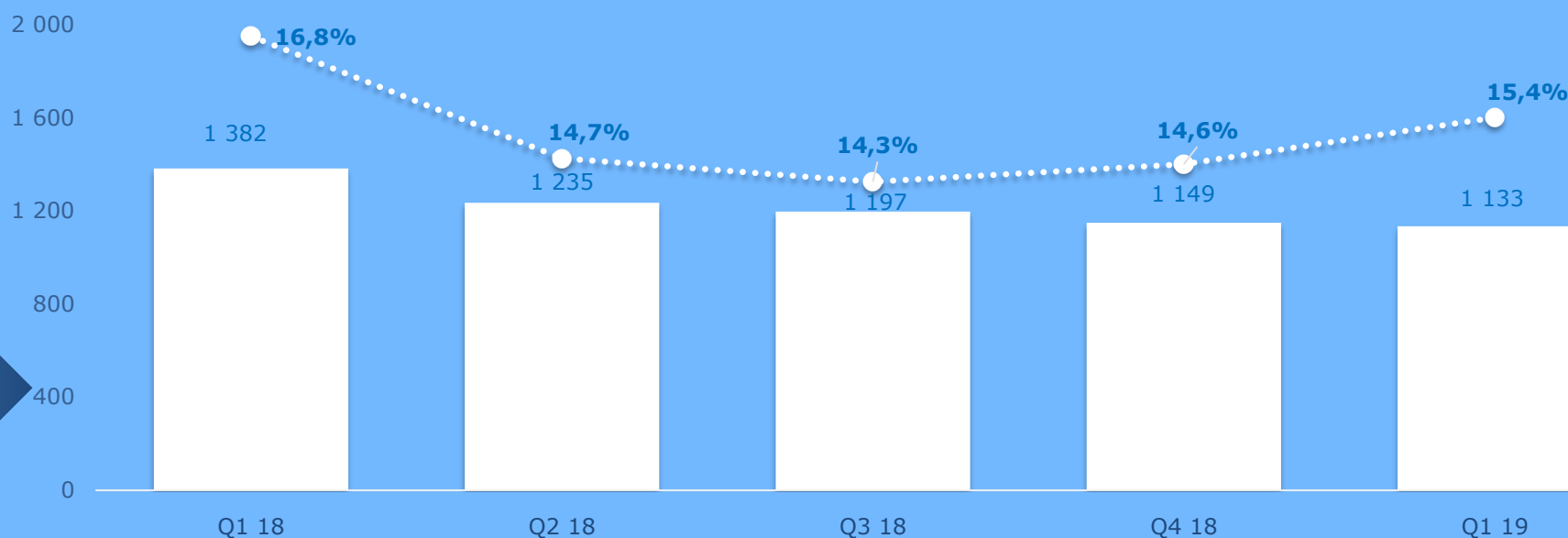
# Sustainable generation of positive free cash flow (FCF)

9

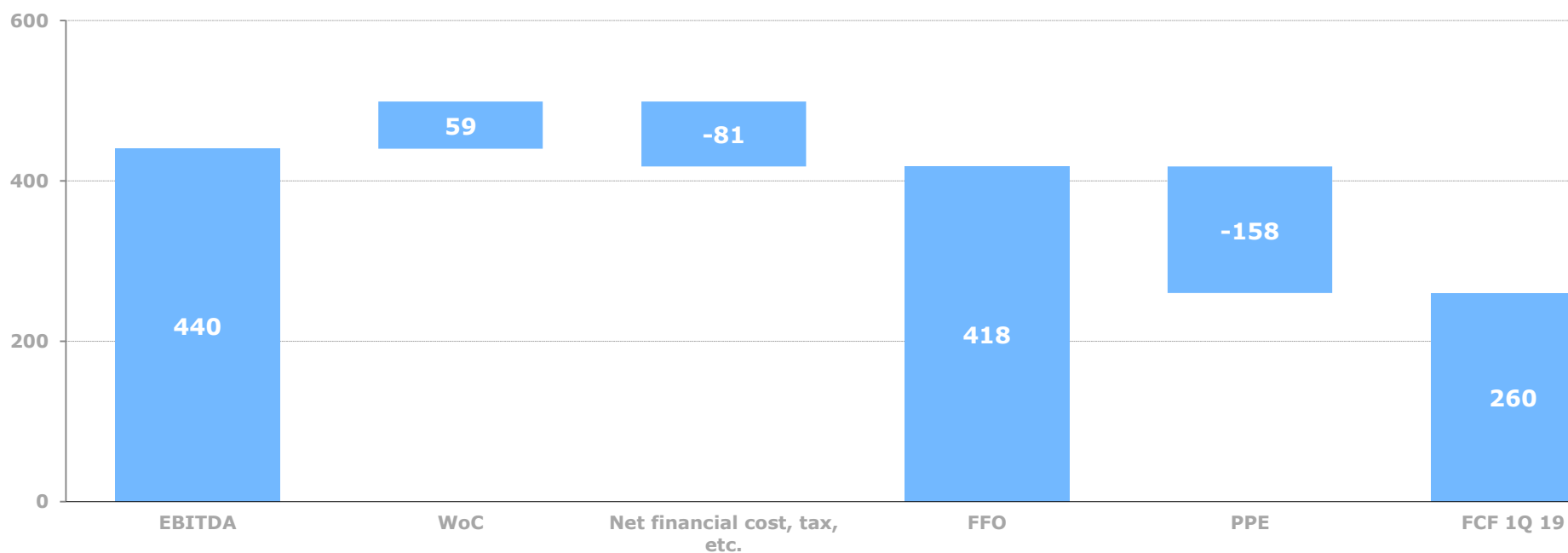


As of the end of Q1 2019, the working capital/revenue ratio was **15.4%**

Net working capital,  
mln USD



Sustainable  
generation of  
positive free  
cash flow  
(FCF) in Q1  
2019,  
mln USD



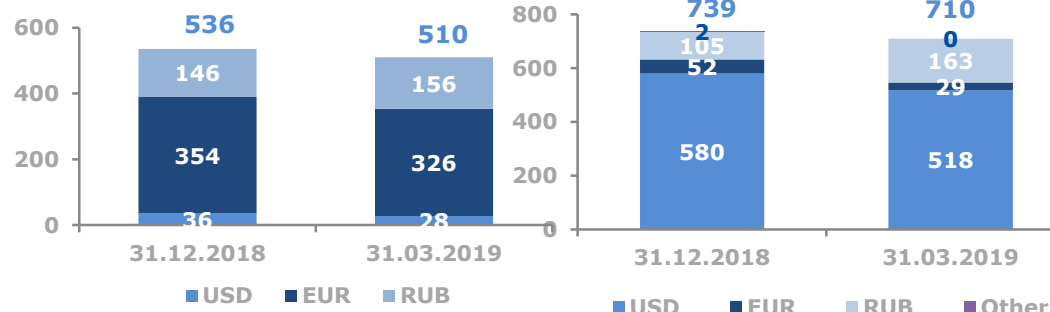
# MMK Group's debt profile



## Debt

## Cash and deposits

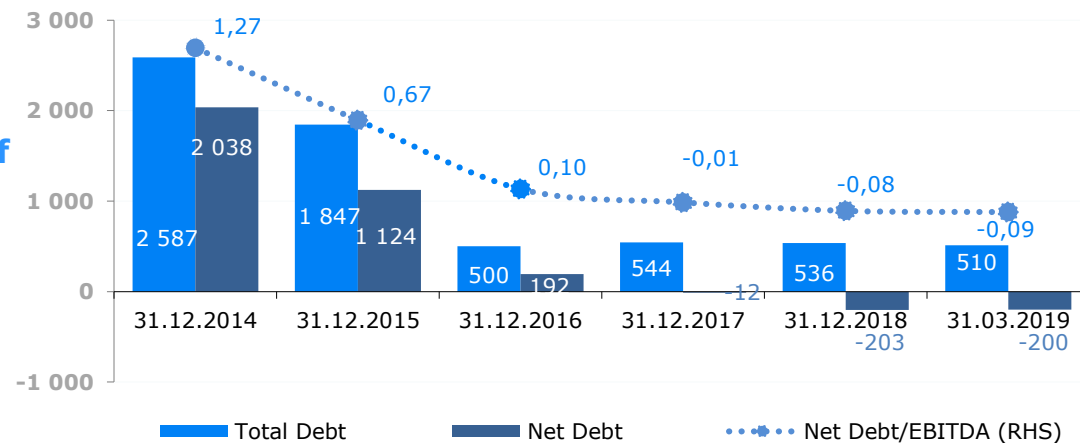
Debt and cash funds structure by currency, mln USD



As of the end of Q1 2019, MMK Group's debt amounted to USD 510 mln

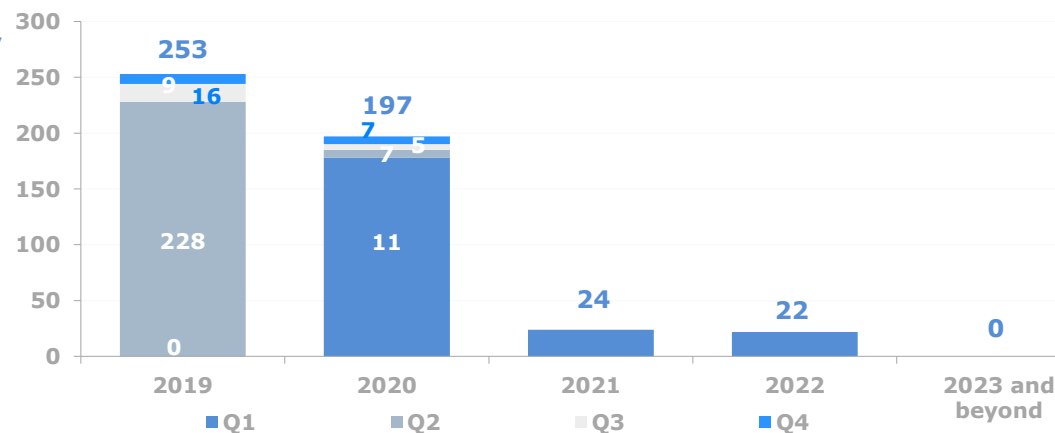
As of 31 March 2018, the share of debt denominated in foreign currency (USD+EUR) was 70%

High level of liquidity, mln USD



The amount of cash on the balance sheet (USD 710 mln) fully covers MMK Group's debt

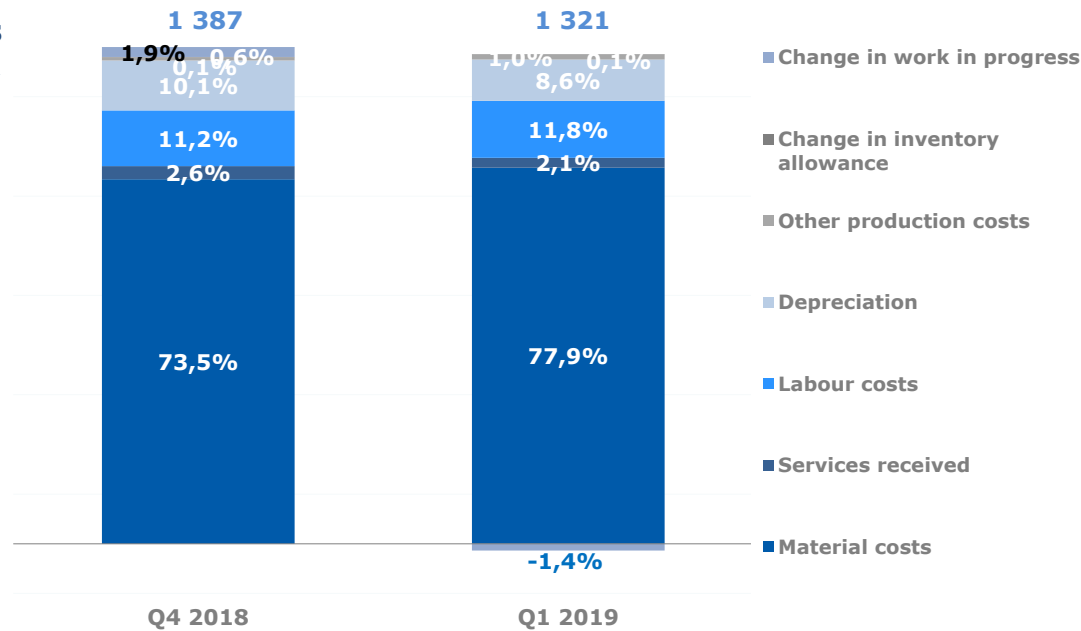
Debt maturity schedule, mln USD



The debt repayment schedule does not include one-off large payments



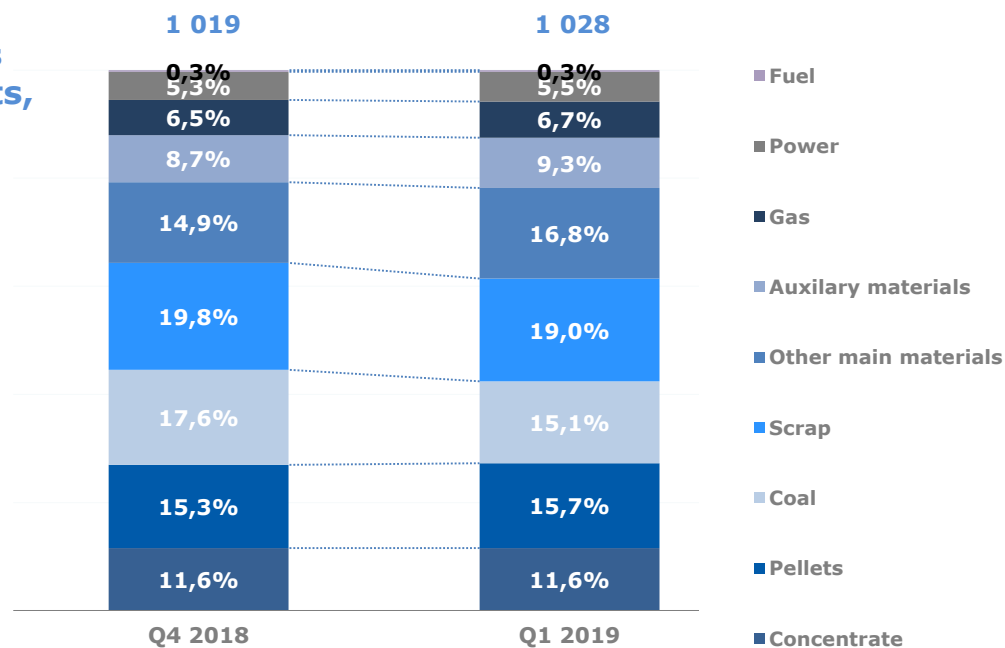
## MMK Group's cost of sales, mln USD



➤ In Q1 2019 share of coking coal in total material costs decreased q-o-q due to scheduled maintenance of BF #7

➤ Share of other materials increased q-o-q due to growth of high marginal products share in total realized product mix

## MMK Group's material costs, mln USD







- ✓ At the moment, the Company's management sees that seasonal demand for metal in the domestic market is starting to recover. This should positively influence capacity utilisation rates of key production facilities and the sales volumes for MMK Group's finished products, as well as help to decrease the impact of productivity restrictions linked to the reconstruction of hot-rolling Mill 2500.
- ✓ Recovery in steel prices from the minimum levels at the beginning of the year, sales of warehouse stocks of long-term storage products, and a maximum capacity utilisation rate for high-margin production units (including thick-plate Mill 5000) should support the financial performance of MMK Group in Q2 2019.

# Disclaimer

- 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.