

METALLOINVEST ANNOUNCES 2017 IFRS FINANCIAL RESULTS

Moscow, Russia – 15 March 2018 – Metalloinvest (“the Company”), a leading global iron ore and HBI producer, and one of the regional producers of high-quality steel, today publishes its audited IFRS financial results for the full year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

- Revenue USD 6,231 mn (+46.2% y-o-y¹)
- EBITDA² USD 2,120 mn (+68.5%)
- EBITDA Margin 34.0% vs. 29.5% in 2016
- Net Income USD 1,406 mn (+21.9%)
- Total Debt USD 4,446 mn (+6.3% compared to 31 December 2016)
- Net Debt / EBITDA³ 1.9x vs. 2.5x as of 31 December 2016
- Capital Expenditure USD 489 mn (+68.6%)

PRODUCTION HIGHLIGHTS

- Iron ore⁴ 40.3 mn tonnes (-1.0%)
- Pellets 25.1 mn tonnes (-0.4%)
- HBI/DRI 7.0 mn tonnes (+22.6%)
- Hot metal 2.7 mn tonnes (-9.3%)
- Crude steel 4.8 mn tonnes (+2.1%)

KEY CORPORATE HIGHLIGHTS

Operational developments and capital expenditure

- Launched HBI-3 Plant at LGOK with a design capacity of 1.8 mn tonnes of hot briquetted iron (HBI) per year
- Began operations at the concentrate intake facility at MGOK
- Completed technical re-equipping of DRI unit #2 at OEMK
- Completed hot tests for wheel and railway billets at Ural Steel

Key contracts signed

- Long-term supply contracts for iron ore products with EVRAZ, Severstal and Mechel
- Long-term supply contract for steel billets with OMK⁵
- Three-year collaboration memorandum for the supply of SBQ⁶ with KAMAZ

Financing

- Issued 7-year USD 800 mn Eurobonds mainly to finance the tender offer of the Company's outstanding Eurobonds
- Refinanced USD 1.03 bn pre-export credit facilities (PXF) with a new PXF raised in June 2017
- Increased the ING BANK (EURASIA) revolving credit line limit to USD 200 mn and extended the loan duration by two years
- Standard & Poor's revised the Company's long-term credit rating outlook to Stable from Negative, confirming its 'BB' rating
- Received a long-term credit rating from Russian rating agency RAEX of 'ruAA-' with a Stable outlook

¹ Hereinafter comparison with 2016 unless indicated otherwise

² Hereinafter EBITDA stands for EBITDA adjusted according to IFRS requirements. For more details, please refer to the IFRS Statements

³ The indicator has an informational character and does not contain adjustments as per loan documentation

⁴ Iron ore refers to iron ore concentrate and sintering ore

⁵ United Metallurgical Company

⁶ High-quality rolled steel products

Andrey Varichev, CEO of Management Company Metalloinvest, commented:

“In 2017, we successfully launched HBI-3 Plant at Lebedinsky GOK with a capacity of 1.8 mn tonnes, a landmark event for the Company. The resulting increase in our capacity to produce high-quality products enables us to further strengthen our position as market leader with more than 50% of the total merchant HBI market and has significantly contributed to our strong financial performance year-on-year.

The growth in prices for our products over the past year has been supported by the proposed Chinese production cuts driven by the implementation of strict environmental pollution controls, and the recovery of steel demand in Russia, Europe and the USA. Persisting favourable market conditions and the Company’s continued focus on increasing its production of high value-added products and the implementation of its operational improvement programme will enable Metalloinvest to keep delivering positive financial results.”

Alexey Voronov, Finance Director of Management Company Metalloinvest, added:

“In 2017, we continued to proactively improve our debt portfolio. The most notable deals of the year were the issuance of a Eurobond to finance the tender of the Company’s outstanding Eurobond and refinancing of our pre-export credit facilities. In the beginning of 2018, we raised a new PXF and executed a put-option on rouble-denominated bonds while keeping the issuance’s full amount in the market. All of these proactive liability management exercises have enabled us to reduce our average debt servicing cost, extend the debt maturity and reduce 2018–2019 USD-denominated debt obligations to zero.”

INCOME STATEMENT

USD mn	2017	2016	Change, y-o-y
Revenue	6,231	4,261	+46.2%
EBITDA	2,120	1,258	+68.5%
EBITDA Margin	34.0%	29.5%	+4.5 p.p.
Net Income	1,406	1,153	+21.9%

Revenue

Revenue increased in 2017 by 46.2% y-o-y to USD 6,231 mn, largely as a result of the following factors:

- Improvement of market conditions: global iron ore prices increased by 23.6%⁷, while steel prices rose by 32.6%⁸;
- Change in product mix: HBI shipments increased by 43.7% y-o-y;
- Appreciation of the rouble by 13.0% resulting in the growth of revenue in USD equivalent.

In the reporting period, revenues from pig iron and steel products rose by 43.7% to USD 3,248 mn, while revenues from iron ore products increased by 51.5% to USD 2,815 mn. The share of iron ore products with high value-added (pellets, HBI) accounted for 75.5% of total iron ore products in 2017.

In 2017, domestic sales made up 40.5% of consolidated revenue, up from 39.6%, mainly due to rouble appreciation and higher supplies of steel products to OMK. The share of sales in Europe, the Middle East and Asia slightly decreased to 22.6%, 13.7% and 4.0% respectively.

Cost of sales, distribution, general and administrative expenses

In 2017, the Company’s cost of sales increased by 38.8% to USD 3,069 mn following price growth on purchased raw materials, a change in product mix, as well as rouble appreciation. Nevertheless, the cost of

⁷ Index Argus Iron ore fines, CFR Qingdao 62%

⁸ Steel billet FOB Black Sea

sales as a proportion of overall revenue decreased to 49.3% vs. 51.9% in 2016, supported by the Company's programme of operational improvements.

Distribution expenses totalled USD 883 mn in 2017, up by 28.9% y-o-y, mainly due to growth in transport expenses on railway services as well as rouble appreciation. These expenses decreased to 14.2% of revenue compared to 16.1% in the previous year.

In 2017, general and administrative expenses totalled USD 346 mn, accounting for 5.6% of revenues.

Profitability

The Company's EBITDA increased by 68.5% to USD 2,120 mn in 2017, compared to USD 1,258 mn in 2016. The EBITDA Margin stood at 34.0% versus 29.5% in 2016, an increase of 4.5 p.p.

The Mining Segment's EBITDA amounted to USD 1,742 mn, up 80.1% from USD 967 mn in 2016. This substantial increase was mainly due to the price growth, as well as an increase in value-added products in the Company's product mix following the launch of HBI-3 Plant (resulting in an increase of HBI supplies by 43.7% y-o-y).

The Steel Segment's EBITDA grew by 34.9% to USD 406 mn from USD 301 mn in 2016, accounting for 19.2% of total consolidated EBITDA in 2017 vs. 23.9% in 2016. This decrease of the Steel Segment's share of consolidated EBITDA was mainly due to higher growth in raw material prices than in the prices for finished steel products.

In 2017, Net Income increased by 21.9% to USD 1,406 mn, mainly due to higher operating income.

FINANCIAL POSITION

As of 31 December 2017, the Company's total assets amounted to USD 6,503 mn compared to USD 6,201 mn as of 31 December 2016. The 4.9% increase in the dollar-denominated value of the Company's assets was due to the appreciation of the rouble.

As of 31 December 2017, the Company's total debt increased by 6.3% y-o-y and totalled USD 4,446 mn. Long-term debt constituted 90.7% of the total debt, with short-term debt standing at USD 413 mn. Short-term debt comprises rouble-denominated bonds for RUB 10 bn that were kept in the market in their full amount following put-option execution in February 2018 and PXF payments that were refinanced in January 2018.

As of 31 December 2017, Metalloinvest's cash and cash equivalents stood at USD 390 mn. Moreover, as of the end of 2017, the Company had undrawn committed credit lines in roubles and USD for a total amount of approximately 810 mn in USD equivalent.

At the end of the reporting period, the Company's Net Debt totalled USD 4,056 mn. The Net Debt / EBITDA ratio decreased to 1.9x vs. 2.5x as of 31 December 2016.

In February 2017, Standard & Poor's revised its long-term credit rating outlook for the Company to Stable from Negative, affirming its 'BB' rating.

In April 2017, Fitch Ratings affirmed its view of the Company's rating at 'BB' with a Stable outlook.

In December 2017, Dagong Global Credit Rating Co. Ltd, a Chinese credit rating agency, affirmed the Company's long-term issuer credit rating in domestic and foreign currencies at BBB+ with a Stable outlook – this is equivalent to the highest Chinese national scale rating, 'AAA'.

In December 2017, RAEX, a Russian credit rating agency, assigned the Company a long-term issuer credit rating of 'ruAA-' with a Stable outlook.

LIQUIDITY AND CAPITAL RESOURCES

In April 2017, the Company paid a dividend based on 2016 results amounting to RUB 14.2 bn.

In July 2017, Metalloinvest paid a dividend of RUB 25.1 bn. The funds from the dividend were returned in full to the Company for the repayment of existing intragroup loans.

In July 2017, the Company disposed in full its 1.8% interest in PJSC MMC Norilsk Nickel.

In August 2017, the Company paid a dividend amounting to RUB 20.0 bn.

In December 2017, the Company paid a dividend based on 9M 2017 results amounting to RUB 8.0 bn.

Over the course of 2017, Metalloinvest worked to optimise its debt portfolio and improve its debt repayment schedule:

- In February–April 2017, the Company signed long-term credit agreements with ING BANK (EURASIA). In line with the conditions of the agreements, the bank increased the limit of the Company's revolving credit line from USD 100 mn to USD 200 mn and extended the duration of the loan by two years, as well as improved the terms of the floating interest rate linked to LIBOR;
- In May 2017, the Company issued a USD 800 mn 4.85% seven-year Eurobond due 2024. The funds raised were used to finance the tender offer of the Company's USD 1 bn 5.625% Eurobond due 2020, as well as for general corporate purposes. A total principal amount of USD 667 mn of notes was tendered;
- In June 2017, the Company refinanced its USD 1.03 bn pre-export credit facilities by signing a new pre-export credit facility (PXF-2017) with a club of international banks. This improved the Company's debt repayment schedule, and reduced its debt servicing costs;
- In August 2017, the Company repaid USD 100 mn of tranche B of PXF-2016 ahead of its scheduled maturity dates;
- In October 2017, the Company signed two long-term credit facility agreements with ING Bank covered by export credit agencies (ECA) for a total amount of EUR 16.7 mn. The funds are used to purchase equipment for the implementation of investment projects at Ural Steel;
- In December 2017, the Company signed loan agreements with Gazprombank to open committed credit lines for a total amount of RUB 15 bn.

OPERATIONAL RESULTS

tonnes' 000	2017	2016	Change, y-o-y
<u>Production</u>			
Iron ore	40,296	40,697	-1.0%
Pellets	25,087	25,190	-0.4%
HBI/DRI	6,983	5,698	22.6%
Hot metal	2,686	2,963	-9.3%
Crude steel	4,759	4,662	2.1%
<u>Shipments</u>			
Iron ore	10,390	10,738	-3.2%
Pellets	12,821	14,535	-11.8%
HBI/DRI	3,572	2,514	42.1%
Pig iron	2,077	2,360	-12.0%
Steel products	4,414	4,326	2.0%

In the reporting period, iron ore production decreased by 1.0% y-o-y to 40.3 mn tonnes, largely due to a change in the ore mixture. Pellet production amounted to 25.1 mn tonnes, down by 0.4% y-o-y, mostly as a result of scheduled major maintenance works at pellet plants and a change in the pellet assortment in the product structure to meet the requirements of HBI-3 Plant. Metalloinvest increased HBI/DRI production by 22.6% to 7.0 mn tonnes due to the launch of HBI-3 Plant at LGOK.

The share of high value-added iron ore product shipments (pellets, HBI/DRI) amounted to 61% in 2017, flat y-o-y.

In 2017, hot metal production decreased by 9.3% to 2.7 mn tonnes, largely as a result of maintenance and repair works. Metalloinvest increased crude steel production by 2.1% y-o-y to 4.8 mn tonnes, mostly as a result of increased production at Continuous Casting Machine #1 at Ural Steel, due to long-term contracts with Russian customers.

The share of high value-added⁹ steel product shipments amounted to 43%, compared with 41% in 2016, driven by a 12% increase in merchant SBQ HVA and a 34% increase in semi-finished product HVA output.

CAPEX PROGRAMME

In 2017, the Company's capital expenditure amounted to USD 489 mn. This increase of 68.6% y-o-y was mainly due to the implementation of a number of development projects in the reporting period.

In July 2017, Metalloinvest launched its HBI-3 Plant at LGOK, the largest HBI production facility in Russia and one of the biggest in the world. HBI-3 Plant has a design capacity of 1.8 mn tonnes of HBI per year. The Company carried out performance tests and achieved guarantee figures in the reporting period. The Company invested approximately 24% of its capital expenditure for 2017 in this project.

MGOK carried out construction and installation works on its intake facility for concentrate from LGOK. The facility will process the intake and unloading of LGOK's iron ore concentrate, as well as the mixing of MGOK and LGOK's concentrate for the subsequent production of high-quality pellets.

In 2017, Metalloinvest began the implementation of complex development projects at LGOK and MGOK. These projects will contribute to increased output of high value-added products, quality growth to premium level and lowering operating expenses. The implementation of key engineering solutions is scheduled for 2018.

LGOK and MGOK received eleven new BelAZ vehicles with respective lifting capacities of 220 and 130 tonnes, four new locomotives with a set of dump cars, two drilling machines and one excavator. The Company invested about 9% of its capital expenditure for 2017 in upgrading its mining and transport operations.

The Company completed the technical re-equipping of DRI unit #2 at OEMK. The installation of modern equipment, including the total replacement of the reformer tubes and the catalyser, enabled the unit to boost its productivity from 88 to 110 tonnes per hour and decrease expenses for the purchase of scrap. Approximately 10% of total capital expenditure for 2017 was allocated to this project.

Metalloinvest also completed construction and started commercial operations at a reduction and calibration section for Rolling Mill 350's mid-size production line at OEMK. The project has enabled the Company to increase its production of high-quality rolled steel by 67,000 tonnes per year and decrease production costs.

At Ural Steel, Continuous Casting Machine #1 and the vacuum degasser began commercial operations after modernisation. The project aimed to improve the Company's customer-focused approach and change its product mix towards more marginal products (railway and wheel billets). For the construction of the Roller Treatment Furnace #1 and Heat Treatment Machine #1 Complex, the main technological equipment was

⁹Include Semis HVA, SBQ HVA, Plate HVA. More details are disclosed at <http://www.metalloinvest.com/investors/operating-results/>

delivered, and construction and installation works are in progress. This project aims to increase the quality of plate produced.

The Company is implementing the Industry 4.0 business transformation programme to create an integrated financial and business management system. The programme is aimed at reducing costs, boosting margins, increasing accounting transparency and ensuring timely decision-making. In the reporting period, the design stage was completed, and the implementation stage and preparation for commercial launch have been started.

LONG-TERM CONTRACTS

In January 2017, Metalloinvest and United Metallurgical Company (OMK) signed a supply contract for steel products to be used in the production of seamless railway wheels. The contract lasts until the end of 2027.

In August 2017, Metalloinvest and Evraz signed new contracts for the supply of 1.6 mn tonnes of pellets and 1.8 mn tonnes of iron ore concentrate from MGOK to Evraz ZSMK due 30 June 2018.

In August 2017, Metalloinvest announced the signing of a new long-term contract with Severstal for the supply of 1.8 mn tonnes of iron ore concentrate from LGOK, valid until 30 June 2018. The contract also covers the supply of dry iron ore concentrate in the winter.

In August 2017, Metalloinvest announced the signing of a long-term contract with Mechel. The contract secures MGOK's supply of 0.6 mn tonnes of pellets and 1 mn tonnes of iron ore concentrate and sintering ore to Chelyabinsk Metallurgical Plant before 30 June 2018.

In November 2017, Metalloinvest and KAMAZ signed a three-year collaboration memorandum for the supply of high-quality rolled steel products (SBQ) produced by OEMK. KAMAZ intends to place orders with OEMK to meet up to 80% of its long steel product requirements.

HEALTH, SAFETY & ENVIRONMENT

In July-August 2017, Metalloinvest completed a number of environmental protection projects. An exhauster, a new purification system to remove dust from the air, was installed at the crushing and sorting plant at MGOK. OEMK completed the construction of the third waste disposal facility, with a capacity of 1 mn tonnes. Ural Steel has launched a new industrial waste landfill facility.

In September 2017, the Company completed the first stage of large-scale renovation work on the lighting systems at three enterprises: OEMK, LGOK and MGOK. As a result of the modernisation process, energy consumption has decreased by 70%.

In December 2017, as part of the 5th All-Russian Environmental Protection Congress, the EcoTech Exhibition and Forum and the meeting of the Federal Ecological Council, Metalloinvest received an award for achieving the best results in the implementation of initiatives within the Russian Year of Ecology. Two Metalloinvest investment projects were included in the main events of the Year of Ecology: the construction of HBI-3 Plant at LGOK and the waste disposal facility at OEMK.

CORPORATE GOVERNANCE

In September 2017, the new Board of Directors was elected. Gleb Kostikov joined the Board as Non-Executive Director and was elected as a Chairman of the Remuneration Committee. Ivan Tavrín resigned his position.

SOCIAL RESPONSIBILITY

In April–May 2017, Metalloinvest signed social partnership programmes for 2017 with the administrations of the Kursk, Belgorod and Orenburg regions and the towns of Zheleznogorsk, Stary Oskol, Gubkin and Novotroitsk.

In December 2017, Metalloinvest won the 10th Annual Leaders of Corporate Charity international competition, taking second place in the overall rankings. Metalloinvest's corporate programme, Let's Do It Together, was recognised as the best at the event, underlining the principles of the Company's social investments.

SUBSEQUENT EVENTS

In January 2018, Metalloinvest raised pre-export finance facility for a USD 240 mn. The new PXF has a 5-year tenor with a 4-year grace period, and its interest rate is linked to LIBOR.

In January 2018, Moody's Investors Service revised its outlook on Metalloinvest to Positive from Stable. Moody's also affirmed the Company's 'Ba2' corporate rating.

In February 2018, the Company successfully executed a put-option on its RUB-denominated bonds series 02 and 03 for a total amount of RUB 10 bn, and kept the issuance's full amount in the market. The Company set the coupon rate of the bonds at 7.65% per annum for the following five years until its maturity.

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Metalloinvest is a leading global iron ore and merchant HBI producer and supplier, and one of the regional producers of high-quality steel. The Company has the world's second-largest measured iron ore reserve base and is one of the lowest-cost iron ore producers.

Metalloinvest is wholly owned by USM Holdings. Alisher Usmanov is the major beneficiary of USM Holdings (49%), with other major beneficiaries being the companies of Vladimir Skoch (30%) and Farhad Moshiri (10%).