METALLOINVEST ANNOUNCES IFRS FINANCIAL RESULTS FOR THE FIRST HALF OF 2017

Moscow, Russia – 22 August 2017 – Metalloinvest ("the Company"), a leading global iron ore and merchant HBI producer and supplier, and one of the regional producers of high-quality steel, today announces its IFRS financial results for the half year ended 30 June 2017.

FINANCIAL HIGHLIGHTS

- Revenue USD 3,032 mn (+57.0% y-o-y[1])
- EBITDA[2] USD 1,061 mn (+99.1%)
- EBITDA margin 35.0% vs 27.6% in H1 2016
- Net income USD 585 mn (+36.7%)
- Net debt USD 3,602 mn (+12.8% compared to 31 December 2016)
- Net debt/EBITDA LTM[3] 2.0x compared to 2.5x as of 31 December 2016
- Capital expenditure USD 188 mn (+21.3%)
- Total assets USD 6,704 mn (+8.1% compared to 31 December 2016)

PRODUCTION HIGHLIGHTS

- Iron ore[4] 20.2 mn tonnes (-1.1%)
- Pellets 12.3 mn tonnes (-0.4%)
- HBI/DRI 3.3 mn tonnes (+11.9%)
- Hot metal 1.3 mn tonnes (-11.9%)
- Crude steel 2.4 mn tonnes (+3.6%)

KEY CORPORATE HIGHLIGHTS

Operational developments and capital expenditure

- Testing and adjustment of equipment at HBI-3 Plant at LGOK
- Signing of a long-term supply contract for steel billets with OMK[5]
- Purchasing of mining and transport machinery at LGOK and MGOK
- Successfully carried out hot tests for wheel and railway billets at Ural Steel

Financing

- Issuing of 7-year USD 800 mn Eurobonds, primarily in order to finance the tender offer of an earlier issuance
- Refinancing of USD 1.03 bn pre-export credit facilities (PXF) with a new PXF raised in June 2017
- Increase of the ING BANK (EURASIA) revolving credit line limit from USD 100 mn to USD 200 mn and extension of the loan duration by two years
- Revision of the Company's long-term credit rating outlook by Standard & Poor's from Negative to Stable, confirmation of its 'BB' rating
- Affirmation of the Company's long-term issuer default rating at 'BB' with Stable outlook by Fitch Ratings

Social responsibility

- Signing of social partnership programmes with the administrations of the Kursk, Belgorod and Orenburg regions and the towns of Zheleznogorsk, Stary Oskol, Gubkin and Novotroitsk

[1] Hereinafter comparison with H1 2016 unless indicated otherwise
[2] Hereinafter EBITDA stands for EBITDA adjusted according to IFRS requirements. For more details please refer to IFRS Statements
[3] The indicator has an informational character and does not contain adjustments as per loan documentation; EBITDA LTM stands for EBITDA for the last 12 months
[4] Iron ore refers to iron ore concentrate and sintering ore
[5] United Metallurgical Company

Metalloinvest

Andrey Varichev, CEO of Management Company Metalloinvest, commented:

"In the first half of 2017, iron ore pricing remained very volatile; however, average prices were significantly higher than in the same period in 2016, which, along with strict control on expenditures, allowed the Company to deliver strong financial results. Metalloinvest's almost 100% increase in EBITDA and prudent approach to debt and liquidity management have allowed the Company to reduce its net debt/EBITDA ratio to 2.0x, which we consider as comfortable. The launch of HBI-3 Plant in July, with a production capacity of 1.8 mn tonnes, as well as the continued positive pricing trends for iron ore and steel products, give us confidence that the Company will demonstrate good financial results for the full year."

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

"We continued to implement our proactive debt management strategy in this reporting period. Issuing a Eurobond to finance the tender of an earlier long-term bond, as well as refinancing our pre-export credit facilities, have enabled us to reduce our average debt servicing cost, and has cut the number of upcoming payments over 2017–2020 by almost 50%, to USD 1.7 bn from USD 3 bn at the end of 2016."

INCOME STATEMENT

USD mn	**H1 2017**	H1 2016	Change
Revenue	**3,032**	1,931	+57.0%
EBITDA	**1,061**	533	+99.1%
EBITDA margin	**35.0%**	27.6%	+7.4 p.p.
Net profit	**585**	428	+36.7%

Revenue

In H1 2017, the Company's consolidated revenue grew by 57.0% y-o-y to USD 3,032 mn. Revenue from iron ore, pellets and HBI sales amounted to USD 1,408 mn, compared with USD 841 mn in the same period in 2016, while revenue from pig iron and steel product sales amounted to USD 1,539 mn, compared with USD 1,023 mn in the same period in 2016. The increase in revenue was mainly the result of the increase in global iron ore and steel product prices by 43% and 24%[6] respectively, as well as the significant strengthening of the rouble.

In H1 2017, domestic sales accounted for 40.7% of consolidated revenue, a slight increase y-o-y. Revenue from the Middle East and Europe decreased to 10.3% and 24.1% respectively, while Asia (including China) amounted to 3%. Revenue from other countries grew to 21.9%, mainly due to an increase in supplies of iron ore and steel products to Kazakhstan and the USA.

Cost of sales, distribution, general and administrative expenses

In H1 2017, the Company's cost of sales amounted to USD 1,476 mn, an increase of 42.6% y-o-y, mostly due to a growth in raw material prices in USD equivalent, as well as changes in the product range.

The 28.5% increase in distribution expenses to USD 433 mn in the reporting period is mainly the result of the increase in rail transport expenses, as well as the strengthening of the rouble compared with the same period in 2016.

In H1 2017, general and administrative expenses amounted to 6% of the revenue, a slight change in comparison with the same period in 2016.

[6] Sources: Iron ore price – Fe62% CFR China; steel price FOB Black Sea

Profitability

In H1 2017, the Company's EBITDA rose by 99.1% y-o-y, amounting to USD 1,061 mn, mostly due to increasing iron ore and steel prices. The EBITDA margin amounted to 35.0% vs 27.6% in H1 2016, an increase of 7.4 p.p.

The EBITDA of the Mining segment amounted to USD 936 mn, 2.3 times higher y-o-y. The Mining segment amounted to 88.2% of consolidated EBITDA.

The EBITDA of the Steel segment increased by 35.4% y-o-y, amounting to USD 153 mn in 1H 2017, decreasing as a share of the Company's consolidated EBITDA as a result of the stronger growth in raw material pricing compared with finished steel products.

Net income in H1 2017 amounted to USD 585 mn, a 36.7% increase y-o-y.

FINANCIAL POSITION

As of 30 June 2017, the Company's assets amounted to USD 6,704 mn, an increase of 8.1% in comparison with USD 6,201 mn on 31 December 2016, mainly due to greater free cash flow.

As of 30 June 2017, the share of long-term debt amounted to 93.5%, a slight decrease compared with the level at 31 December 2016.

On 30 June 2017, cash and cash equivalents amounted to USD 866 mn, compared with USD 989 mn on 31 December 2016. The Company maintains its liquidity thanks to its stable and positive operating cash flow.

At the end of the reporting period, the Company's net debt rose by 12.8% y-o-y, amounting to USD 3,602 mn. The net debt/EBITDA LTM ratio decreased to 2.0x vs 2.5x at 31 December 2016, mostly due to a significant y-o-y increase in EBITDA in H1 2017.

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.

LIQUIDITY AND CAPITAL RESOURCES

In H1 2017, Metalloinvest continued to work on improving its debt repayment and restructuring maturity schedule.

In February–April 2017, the Company signed long-term credit agreements with ING BANK (EURASIA). In line with the agreement conditions, 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 improving the terms of the floating interest rate linked to LIBOR.

In May 2017, the Company placed a USD 800 mn 4.85% seven-year Eurobond issue 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 syndicate of international banks. This improved the Company's debt repayment schedule, as well as reduced its debt servicing costs.

OPERATIONAL RESULTS

tonnes '000	H1 2017	H1 2016	Change
Production			
Iron ore	**20,182**	20,411	-1.1%
Pellets	**12,250**	12,298	-0.4%
HBI/DRI	**3,298**	2,948	11.9%
Hot metal	**1,338**	1,519	-11.9%
Cruse steel	**2,373**	2,291	3.6%
Shipments			
Iron ore	**5,407**	5,722	-5.5%
Pellets	**6,271**	6,810	-7.9%
HBI/DRI	**1,566**	1,308	19.7%
Pig iron	**1,027**	1,182	-13.1%
Steel products	**2,175**	2,113	2.9%

Iron ore production during the reporting period decreased by 1.1% y-o-y to 20.2 mn tonnes, due to a change in the ore mixture. Pellet production remained largely flat y-o-y, amounting to 12.3 mn tonnes. The Company produced 3.3 mn tonnes of HBI/DRI, an 11.9% increase y-o-y. This is mostly due to the hot tests carried out at HBI-3 Plant at LGOK.

In H1 2017, hot metal output decreased by 11.9% y-o-y to 1.3 mn tonnes, mostly due to major maintenance works at one of the blast furnaces at Ural Steel. Steel production increased by 3.6% to 2.4 mn tonnes, mainly as a result of an increase in effective orders.

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. According to the terms of the agreement, pricing is arranged based on global market indicators, taking into account current pricing trends.

CAPEX PROGRAMME

In H1 2017, the Company's capital expenditures amounted to USD 188 mn, a 21.3% increase y-o-y.

During the reporting period, 34% of total capex was invested in the roll-out of the Company's key investment project, the construction of HBI-3 Plant at LGOK. As at 30 June 2017, the Company has successfully completed all warranty tests, achieving all planned results.

MGOK is implementing construction and installation works for LGOK concentrate intake facility. The construction of this unit will allow the plant to produce pellets with high Fe grade using concentrate mixture.

In H1 2017, Metalloinvest continued to invest in the upgrade of its mining and transport operations. LGOK and MGOK received five new BelAZ vehicles with lifting capacities of 220 and 130 tonnes, as well as two new locomotives with a set of dump cars.

Around 10% of total capital expenditure was spent on the modernisation of DRI-2 Unit at OEMK. In H1 2017, the Company signed contracts for purchasing and installation of the technical equipment for this unit, construction and installation works were carried out.

As part of the modernisation of Continuous Casting Machine #1 at Ural Steel, hot tests for the production of railway wheels and rails were completed. The Company designed the main equipment and carried out general works for the construction of the Roller Treatment Furnace #1 and Heat Treatment Machine #1 Complex.

SOCIAL RESPONSIBILITY

In March 2017, the Company won the nationwide 'Russian Business Leaders: Performance and Responsibility 2016' contest, winning in the 'For the development of a cross-sector partnership to address local social problems' category.

In April–May 2017, Metalloinvest signed agreements on 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.

SUBSEQUENT EVENTS

In July 2017, Metalloinvest paid a dividend in the total amount 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, Metalloinvest launched its third hot briquetted iron production facility (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 invested over USD 660 mn in the project.

In July 2017, Metalloinvest disposed in full its 1.8% interest in PJSC “MMC “Norilsk Nickel” for a total consideration of USD 400 mn.

In August 2017, Metalloinvest announced signing of several long-term supply contracts with leading Russian metals and mining companies:

- for the supply of 1.6 mn tonnes of pellets and 1.8 mn tonnes of iron ore concentrate to EVRAZ
- for the supply of 0.6 mn tonnes of pellets and 1 mn tonnes of iron ore concentrate and sintering ore to Mechel
- for the supply of 1.8 mn tonnes of iron ore concentrate to Severstal

According to the terms of the agreements, the shipments will be delivered by 30 June 2018.

In August 2017, the Company has repaid USD 100 mn of tranche B of PXF-2016 ahead of the scheduled maturity dates.

In August 2017, based on the recommendation of Metalloinvest’s Board of Directors, the Company’s shareholders took the decision to pay a dividend amounting to RUB 20 bn (approximately USD 330 mn).

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