

## METALLOINVEST ANNOUNCES INTERIM MANAGEMENT STATEMENT FOR 9M 2017

**Moscow, Russia – 23 November 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 publishes its IFRS interim management statement for the nine months ended 30 September 2017.

### **FINANCIAL HIGHLIGHTS FOR THE FIRST NINE MONTHS OF 2017**

- Revenue USD 4,556 mn (+52.4% compared to 9M 2016<sup>1</sup>)
- EBITDA<sup>2</sup> USD 1,544 mn (+80.8% y-o-y)
- EBITDA margin 33.9% vs. 28.6% for 9M 2016
- Net Income USD 1,089 mn (+53.8% y-o-y)
- Total Debt USD 4,399 mn (+5.2% compared to 31 December 2016)
- Net Debt / EBITDA LTM<sup>3</sup> 2.0x vs. 2.5x as of 31 December 2016
- Capital Expenditure USD 335 mn (+45.7% y-o-y)
- Total Assets USD 6,209 mn (flat compared to 31 December 2016)

### **KEY CORPORATE HIGHLIGHTS IN Q3 2017**

- Launch of HBI-3 Plant at LGOK with a design capacity of 1.8 mn tonnes of HBI per year
- Completion of technical re-equipping of DRI unit #2 at OEMK
- Signing of long-term iron ore product supply contracts with Evraz, Severstal and Mechel
- Early partial repayment of PXF-2016 for a total consideration of USD 100 mn
- Election of new composition of Board of Directors



**Photo: The official launch ceremony for HBI-3 Plant at LGOK, July 2017**

<sup>1</sup> Hereinafter comparison with 9M 2016 unless indicated otherwise

<sup>2</sup> Hereinafter EBITDA stands for EBITDA adjusted according to IFRS requirements

<sup>3</sup> The indicator is for information only and does not contain adjustments as per the loan documentation; EBITDA LTM stands for EBITDA for the last 12 months

## **INCOME STATEMENT**

USD mn	<b>9M 2017</b>	9M 2016	Change	<b>Q3 2017</b>	Q3 2016	Change
Revenue	<b>4,556</b>	2,989	+52.4%	<b>1,524</b>	1,058	+44.0%
EBITDA	<b>1,544</b>	854	+80.8%	<b>483</b>	321	+50.5%
EBITDA margin	<b>33.9%</b>	28.6%	+5.3 p.p.	<b>31.7%</b>	30.3%	+1.4 p.p.
Net Income	<b>1,089</b>	708	+53.8%	<b>503</b>	280	+79.6%

In 9M 2017, the Company's revenue amounted to USD 4,556 mn, up 52.4% y-o-y. Dollar-denominated revenue growth was mainly due to the surge in global iron ore and steel prices, rouble appreciation and a change in the Company's product mix.

In 9M 2017, the Company's EBITDA increased by 80.8% y-o-y to USD 1,544 mn, EBITDA margin amounted to 33.9% vs. 28.6% in 9M 2016. Consolidated EBITDA growth is mostly attributable to the two-fold increase of the Mining Segment EBITDA, following the launch of HBI-3 Plant, producing high value-added HBI. The EBITDA of the Steel Segment reached USD 267 mn, up by 39.8% y-o-y, due to an increase in shipments of high-quality rolled steel products, among other factors.

Net income in 9M 2017 amounted to USD 1,089 mn, an increase by 53.8% y-o-y, due to higher operating income.

## **FINANCIAL POSITION**

As of 30 September 2017, the Company's total assets amounted to USD 6,209 mn, largely unchanged compared to 31 December 2016.

As of 30 September 2017, the Company's total debt amounted to USD 4,399 mn, up 5.2% against the year-end figure, mainly due to the liability management deals carried out in the reporting period, as well as rouble appreciation. The Company's Net Debt / EBITDA LTM ratio improved to 2.0x vs. 2.5x as of 31 December 2016 due to a significant y-o-y increase in EBITDA in 9M 2017.

As of 30 September 2017, long-term debt accounted for 93% of total debt vs. 98% as of 31 December 2016. The increase in short-term debt was mainly due to an upcoming put option date for its 02 and 03 series rouble-denominated bonds for a total of RUB 10 bn in February 2018.

As of 30 September 2017, the Company's cash and cash equivalents amounted to USD 544 mn.

## **LIQUIDITY AND CAPITAL RESOURCES**

In July 2017, Metalloinvest paid a dividend of RUB 25,067 mn. The funds from the dividend were returned in full to the Company for the repayment of existing intragroup loans.

In July 2017, Metalloinvest disposed in full its 1.8% interest in PJSC MMC Norilsk Nickel. These funds were allocated for the early partial repayment of USD 100 mn of tranche B of its pre-export credit facility PXF-2016 and a dividend amounting to RUB 19,995 mn.

## **CAPEX PROGRAMME**

In 9M 2017, the Company's capital expenditure amounted to USD 335 mn. This increase of 45.7% y-o-y was mainly due to the implementation of a number of development projects in 2017.

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 invested over 30% of its capital expenditure for 9M 2017 in this project.

MGOK fulfilled construction and installation works for the LGOK concentrate intake facility, which began pilot operations in October 2017.

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. Approximately 10% of total capital expenditure for 9M 2017 was spent on this project.

Metalloinvest also completed construction and started commercial operations of 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.

Continuous Casting Machine #1 at Ural Steel began commercial operations after modernisation accomplishment. The main technological equipment is being produced for the construction of the Roller Treatment Furnace #1 and Heat Treatment Machine #1 Complex.

### **LONG-TERM CONTRACTS**

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.

### **CORPORATE GOVERNANCE**

In September 2017, the new Board of Directors was elected. Gleb Kostikov joined the Board as Non-Executive Director, while Ivan Tavrín resigned from his position. The Board of Directors approved committee compositions. Gleb Kostikov joined the Remuneration Committee as Chairman. The composition of the Finance, Budgeting and Strategy Committee, and the Audit Committee remained unchanged.

### **SUBSEQUENT EVENTS**

#### **October 2017**

The Company signed two long-term credit facility agreements with ING Bank guaranteed 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.

#### **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.

Under the programme to update the enterprises' mining and transport machinery and increase production efficiency, two 130-tonne BelAZ trucks were delivered to MGOK.

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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%).