

## Operational Results for Q4 2018 and FY 2018

Metalloinvest, a leading global iron ore and merchant HBI producer and supplier, and one of the regional producers of high-quality steel, today announces its operational results for the fourth quarter and full year of 2018.

### Management comments

Andrey Varichev, CEO of Management Company Metalloinvest, commented:

“In line with our strategy of increasing the share of high value-added products in our product mix, in the financial year 2018 we achieved record production volumes of HVA iron ore products.

Pellet and HBI/DRI production have increased by 10.2% and 12.1% respectively on the back of sustainable level of iron ore production in 2018. Therefore, the share of iron ore shipments to external customers decreased from 26% to 19% year-on-year. The major part of iron ore product supplies (approximately 65%) the Company allocated to the most priority domestic market.

In 2018, steel production grew by 6.2% year-on-year supported by hot metal production increase by 12.6% to 3.0 mn tonnes. Meanwhile, the share of HVA products in steel shipments remains at 43%.”

### Iron ore products

- In Q4 2018, Metalloinvest produced 10.3 mn tonnes of iron ore<sup>1</sup>. An increase of 3.5%<sup>2</sup> q-o-q is mainly the result of a scheduled reduction in maintenance works and an increase in the productivity of production facilities. In FY 2018, the output amounted to 40.4 mn tonnes of iron ore (+0.2% y-o-y)
- In FY 2018, the Company increased pellet production by 10.2% y-o-y to the record high of 27.7 mn tonnes, while a slight decrease in pellet production in Q4 2018 (by 3.4% q-o-q) was due to scheduled maintenance works at OEMK and Mikhailovsky GOK (MGOK)
- HBI/DRI production increased by 12.1% y-o-y to 7.8 mn tonnes in FY 2018 considering the increase of 10.3% q-o-q in Q4 2018. The growth of HBI/DRI output in 2018 was driven by the launch of the HBI-3 Plant at Lebedinsky GOK (LGOK) in July 2017 coupled with the increase in productivity of the DRI unit #2 at OEMK after modernisation held in 2017. The increase in HBI/DRI output in Q4 2018 was due to the scheduled major maintenance works at LGOK held in Q3 2018
- Following the increase of iron ore processing within the Company the share of pellets and HBI/DRI in the total amount of iron ore product shipments accounted for 71% in 2018 compared to 61% in 2017

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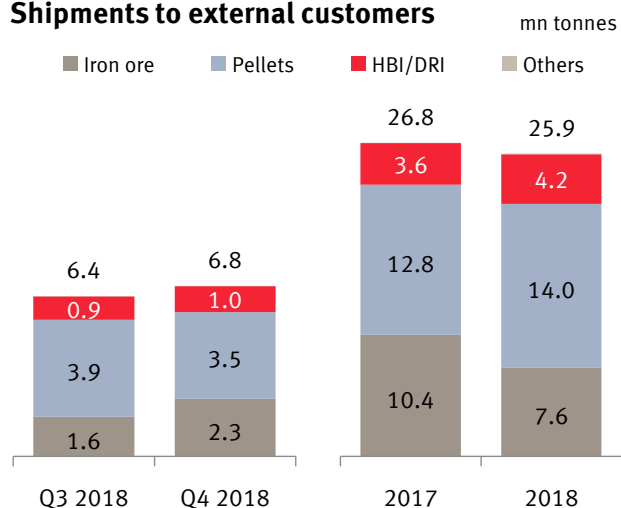
<sup>1</sup>Hereinafter iron ore refers to iron ore concentrate and sintering ore

<sup>2</sup> Hereinafter q-o-q represents change in Q4 2018 vs. Q3 2018 (if not stated otherwise)

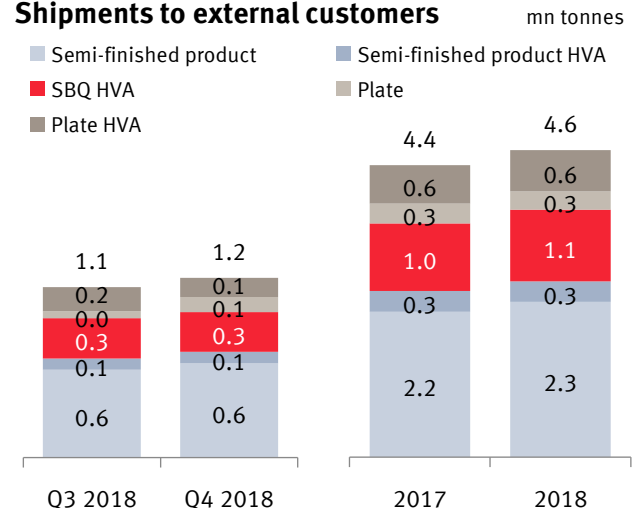
## Pig iron and steel products

- In Q4 2018, the output of hot metal remained flat at the level of Q3 2018 (0.8 mn tonnes). However, in FY 2018 hot metal production increased by 12.6% y-o-y to 3.0 mn tonnes due to the launch of ASU<sup>3</sup> #5 at Ural Steel
- Crude steel production grew by 7.5% q-o-q to 1.3 mn tonnes in Q4 2018 and by 6.2% y-o-y to 5.1 mn tonnes in FY 2018. This was largely a result of an increase in production and shipments of cast billets from CCM<sup>4</sup>-1
- The share of HVA<sup>5</sup> steel product shipments amounted to 43% in FY 2018. Meanwhile, in FY 2018 the Company increased shipments of Plate HVA (+8.0% y-o-y) and SBQ<sup>6</sup> HVA (+6.5% y-o-y). In Q4 2018 the share of HVA steel product shipments was 39%

### Shipments to external customers



### Shipments to external customers



## Iron ore product shipments

- In FY 2018, the total volume of iron ore product shipments to third parties amounted to 25.9 mn tonnes, a decrease of 3.5% y-o-y. This reduction is derived from a change in the product mix: shipments of pellets increased by 9.3% y-o-y and HBI/DRI by 18.9% y-o-y. As a result, the volume of iron ore shipments to third parties accounted for 19% of the total amount of iron ore produced by the Company in FY 2018 (compared with 26% in FY 2017)
- In FY 2018, the share of iron ore product supplies to the domestic market increased to 65% compared with 60% in FY 2017
- Due to the increased volume of shipments to the domestic market, the share of iron ore product supplies to Europe decreased from 25% to 21%. Shipments to customers in Asia and MENA amounted to 4% and 6% respectively

<sup>3</sup> ASU – air separation unit

<sup>4</sup> CCM – steel billet continuous casting machine

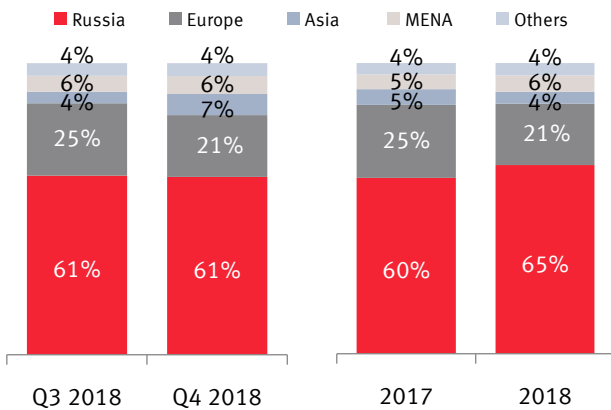
<sup>5</sup> HVA – high value-added. The list of steel products by types is presented on the p. 8

<sup>6</sup> SBQ – special bar quality

### Pig iron and steel product shipments

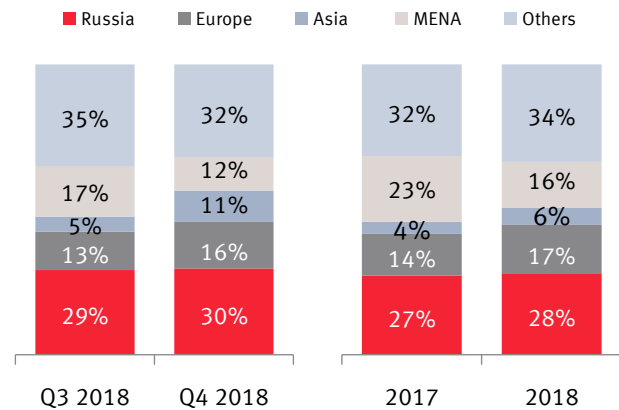
- In FY 2018, the share of pig iron and steel product shipments to Russia increased to 28% compared with 27% in FY 2017 due to higher shipments to Vyksa Steel Works (VSW) and other companies on the domestic market
- In FY 2018, the share of pig iron and steel products supplies to the European market increased to 17% compared to 14% in FY 2017
- The share of shipments to the Asian countries in FY 2018 increased from 4% to 6% due to increased demand from customers in the Philippines and Indonesia
- In FY 2018, the share of supplies to MENA region declined to 16% (compared to 23% in FY 2017) as a result of the reallocation of shipments to other markets
- In FY 2018, the share of shipments to other regions amounted to 34% (compared to 32% in FY 2017)

#### Shipments by region\*



\* Shipments of iron ore, pellets and HBI/DRI

#### Shipments by region\*\*



\*\* Shipments of pig iron and steel products



HBI-3 Plant

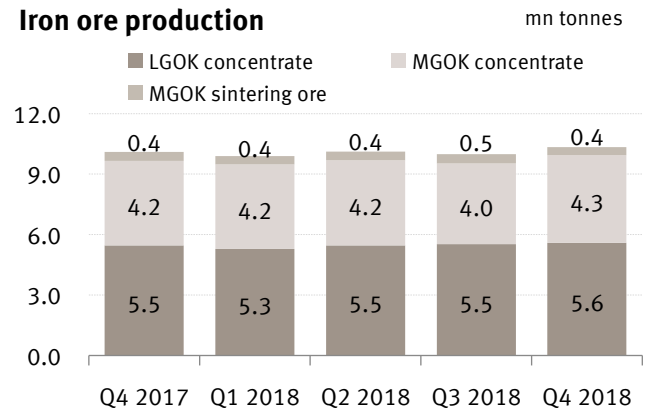


**Mining segment**

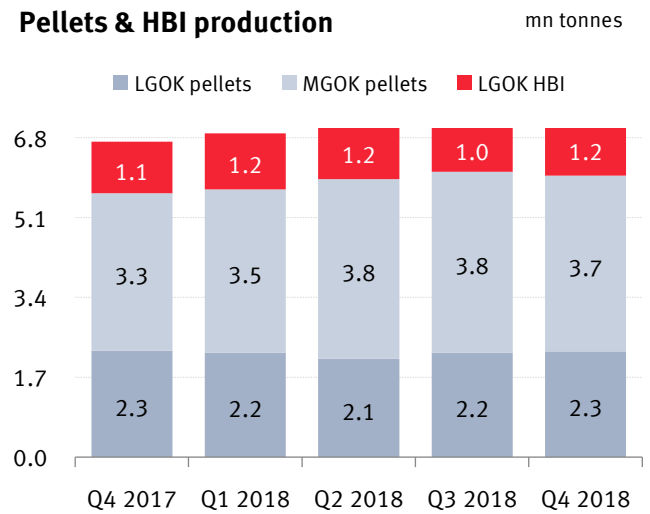
- In Q4 2018, LGOK increased iron ore production by 1.3% q-o-q to 5.6 mn tonnes mainly due to the completion of scheduled maintenance works in Q3 2018
- In Q4 2018, iron ore production at MGOK grew by 8.3% q-o-q (to 4.3 mn tonnes) due to the increased productivity of production facilities and the completion of maintenance works in Q3 2018
- In Q4 2018, LGOK increased pellet production by 1.2% q-o-q to 2.3 mn tonnes following the increased productivity of fluxed pellets
- In Q4 2018, pellet output at MGOK declined by 2.8% q-o-q to 3.7 mn tonnes primarily as a result of scheduled major maintenance works
- The volume of HBI production at LGOK increased in Q4 2018 by 15% q-o-q to 1.2 mn tonnes, mainly as a result of the completion of scheduled major maintenance works at the HBI-2 and HBI-3 Plants in Q3 2018 and an increase in production volumes at the HBI-3 Plant



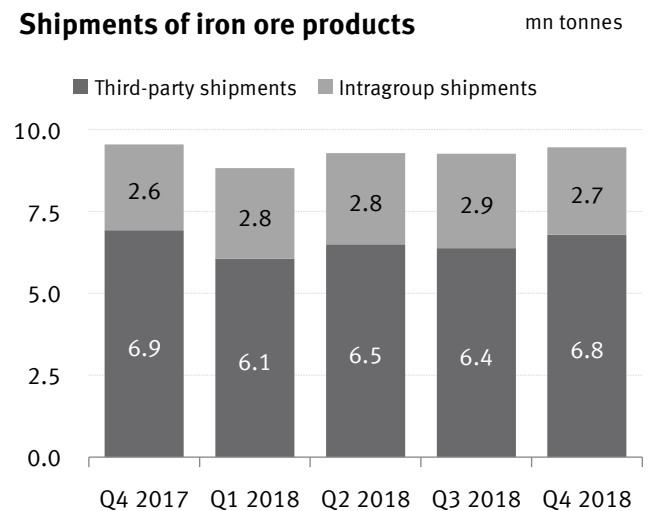
**Iron ore production**



**Pellets & HBI production**



**Shipments of iron ore products**



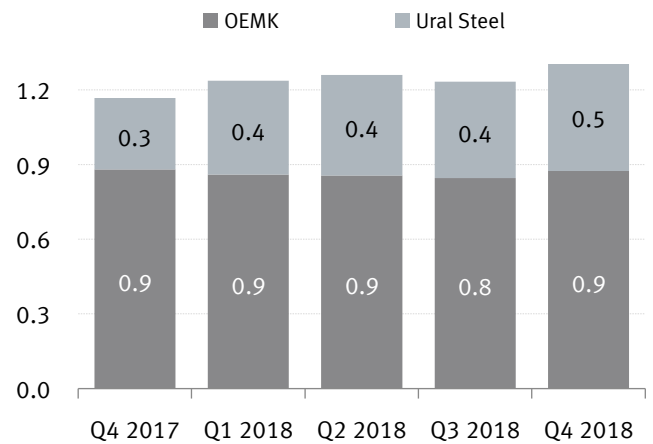


### Steel segment

- In Q4 2018, pellet production at OEMK decreased by 15% q-o-q to 0.9 mn tonnes, primarily as a result of scheduled major maintenance works
- In Q4 2018, OEMK increased DRI output by 4.4% q-o-q to 0.8 mn tonnes due to the completion of scheduled maintenance works at DRI unit #1 and DRI unit #2 in Q3 2018
- In Q4 2018, crude steel production at OEMK increased by 3.3% q-o-q and amounted to 0.9 mn tonnes due to the resumption of work after the repair of water conversion equipment in Q3 2018, and an increase in productivity after a change in the product mix
- In Q4 2018, hot metal production at Ural Steel remained almost flat q-o-q and amounted to 0.8 mn tonnes
- Crude steel output at Ural Steel in Q4 2018 increased by 16.6% q-o-q to 0.5 mn tonnes due to the increased shipments to VSW and other customers in the domestic market. In FY 2018, steel production increased by 26.6% y-o-y

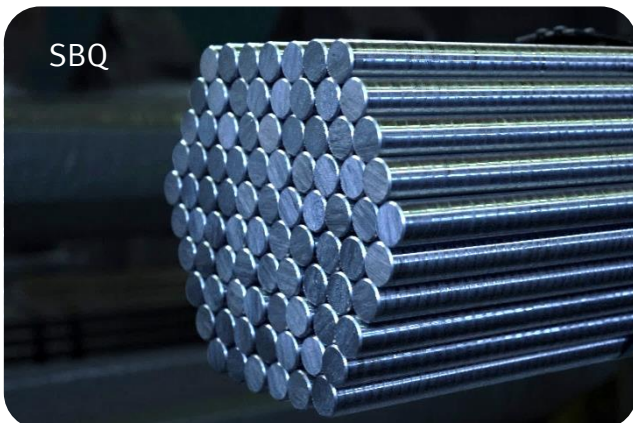
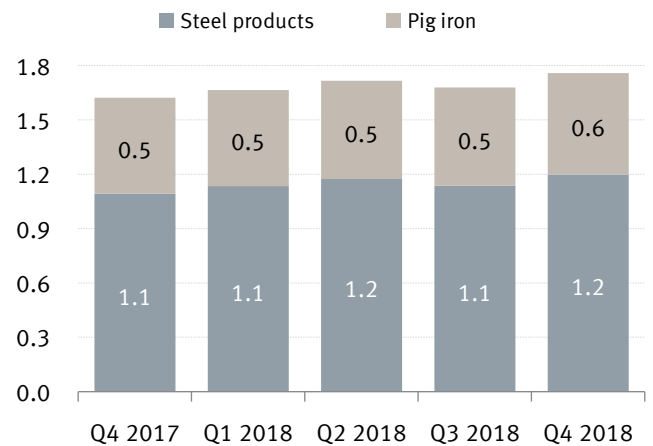
### Crude steel production

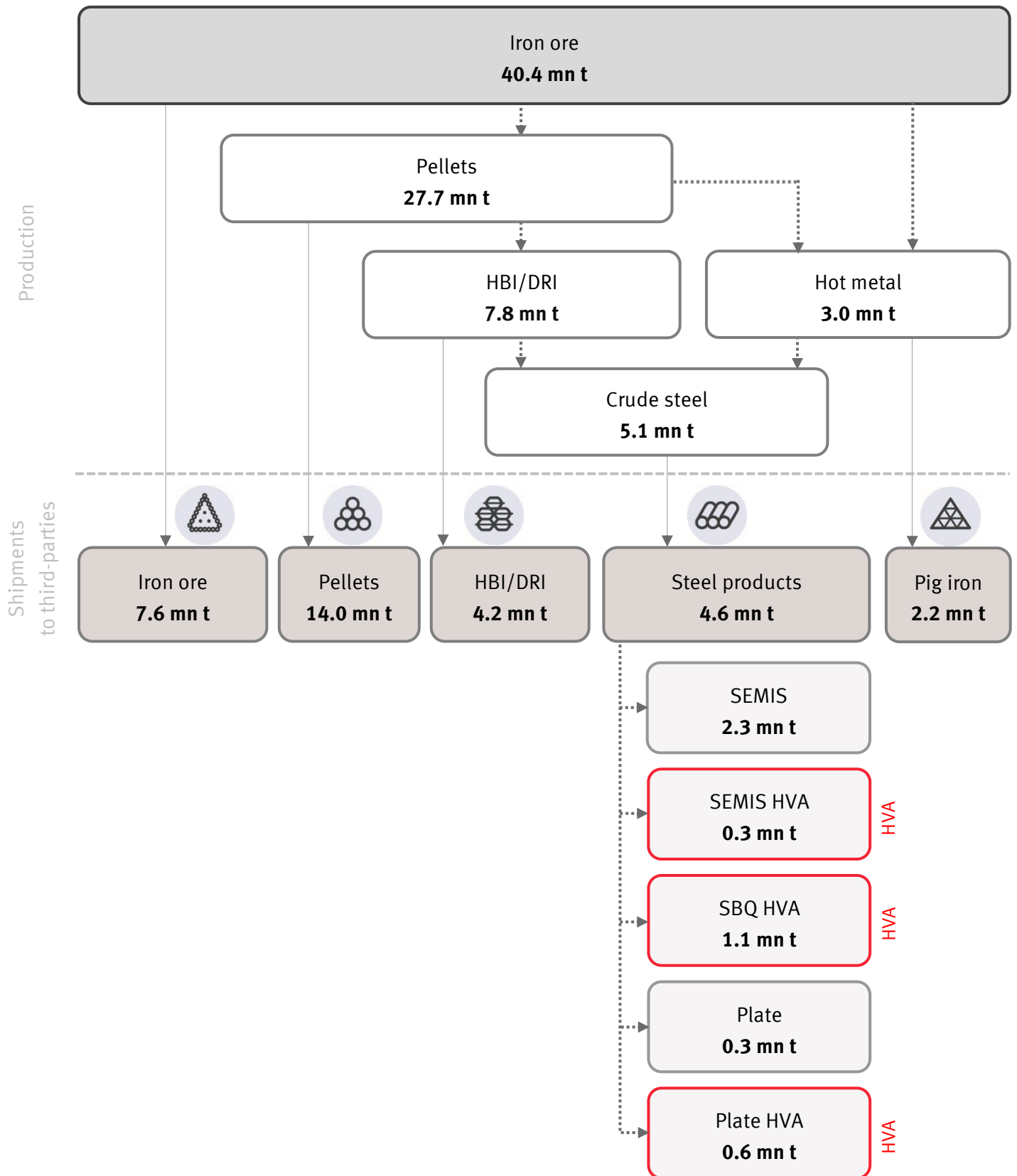
mn tonnes



### Shipments by product

mn tonnes



**Production and shipments for FY 2018**


**Appendix**
Metalloinvest consolidated results – Iron ore products
**Production**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Iron ore*	10,347	9,995	3.5%	40,359	40,296	0.2%
Pellets	6,885	7,126	-3.4%	27,658	25,087	10.2%
HBI/DRI	1,997	1,810	10.3%	7,826	6,983	12.1%

**Shipments by product\*\***

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Iron ore*	2,305	1,581	45.8%	7,573	10,390	-27.1%
Pellets	3,480	3,889	-10.5%	14,013	12,821	9.3%
HBI/DRI	1,035	943	9.8%	4,248	3,572	18.9%
Other***	5	9	-44.4%	34	28	21.4%
Total shipments	6,825	6,422	6.3%	25,869	26,812	-3.5%

**Shipments by region\*\*\*\***

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Russia	4,161	3,948	5.4%	16,778	16,278	3.1%
Europe	1,451	1,591	-8.8%	5,473	6,741	-18.8%
Asia	493	251	96.4%	1,059	1,447	-26.8%
MENA	416	357	16.5%	1,467	1,352	8.5%
Other	304	274	10.9%	1,093	992	10.2%
Total shipments	6,825	6,422	6.3%	25,869	26,812	-3.5%

\* Iron ore refers to iron ore concentrate and sintering ore

\*\* Shipments from plants (deviation from sales figures is possible due to changes in traders' inventories and is treated as immaterial)

\*\*\* HBI fines and pellets screening at LGOK

\*\*\*\* Iron ore, pellets, HBI/DRI, HBI fines and pellets screening

**Appendix (continued)**
Metalloinvest consolidated results – Pig iron and steel products
**Production**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Hot metal	787	785	0.3%	3,025	2,686	12.6%
Crude steel	1,324	1,232	7.5%	5,053	4,759	6.2%

**Shipments by product\***

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Pig iron	559	543	2.9%	2,175	2,077	4.7%
Steel products, incl.**:	1,198	1,136	5.5%	4,642	4,414	5.2%
SEMIS	628	584	7.5%	2,349	2,199	6.8%
SEMIS HVA	77	75	2.7%	307	313	-1.9%
SBQ HVA	264	269	-1.9%	1,086	1,020	6.5%
Plate	100	48	-	276	303	-8.9%
Plate HVA	129	160	-19.4%	624	578	8.0%
Total shipments, incl.:	1,757	1,679	4.6%	6,818	6,490	5.1%
Steel products HVA	470	504	-6.7%	2,018	1,911	5.6%

**Shipments by region**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Russia	522	490	6.5%	1,916	1,772	8.1%
Europe	285	221	29.0%	1,136	933	21.8%
Asia	186	88	-	396	270	46.7%
MENA	205	293	-30.0%	1,084	1,466	-26.1%
Other	559	586	-4.6%	2,286	2,050	11.5%
Total shipments	1,757	1,679	4.6%	6,818	6,490	5.1%

\* Shipments from plants (deviation from sales figures is possible due to changes in traders' inventories and is treated as immaterial)

\*\* Steel product categories include:

SEMIS – blum, cast squares, square billets from OEMK and cast billets from Ural Steel

SEMIS HVA – pipe billets from OEMK

SBQ HVA – long products, wire coils from OEMK

Plate – flat products from Ural Steel

Plate HVA – strips, construction plate and bridge steel products from Ural Steel



**Appendix (continued)**
Metalloinvest operational results – Mining segment
**LGOK**
**Production**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Concentrate	5,590	5,520	1.3%	21,867	21,851	0.1%
Pellets	2,252	2,226	1.2%	8,792	8,572	2.6%
HBI	1,174	1,021	15.0%	4,603	4,016	14.6%

**Shipments by product**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Concentrate	2,973	2,760	7.7%	11,269	11,632	-3.1%
Pellets	487	746	-34.7%	1,995	2,511	-20.5%
HBI	1,079	1,001	7.8%	4,508	3,980	13.3%
Other	94	72	30.6%	360	327	10.1%
<b>Total shipments</b>	<b>4,632</b>	<b>4,578</b>	<b>1.2%</b>	<b>18,132</b>	<b>18,450</b>	<b>-1.7%</b>
<b>Incl. intragroup shipments</b>						
Concentrate	1,267	1,580	-19.8%	6,062	4,989	21.5%
Pellets	80	120	-33.3%	414	58	-
HBI	76	100	-24.0%	406	507	-19.9%
Other	89	62	43.5%	325	299	8.7%

**MGOK**
**Production**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Sintering ore	409	463	-11.7%	1,710	1,902	-10.1%
Concentrate	4,347	4,012	8.3%	16,782	16,542	1.5%
Pellets	3,738	3,846	-2.8%	14,888	12,546	18.7%

**Shipments by product**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Sintering ore	361	450	-19.8%	1,495	1,727	-13.4%
Concentrate	671	300	-	2,331	3,234	-27.9%
Pellets	3,788	3,932	-3.7%	14,854	12,468	19.1%
<b>Total shipments</b>	<b>4,821</b>	<b>4,682</b>	<b>3.0%</b>	<b>18,679</b>	<b>17,429</b>	<b>7.2%</b>
<b>Incl. intragroup shipments</b>						
Sintering ore	49	156	-68.6%	326	295	10.5%
Concentrate	384	192	-	1,134	919	23.4%
Pellets	715	669	6.9%	2,421	2,100	15.3%

**Appendix (continued)**
**Metalloinvest operational results – Steel segment**
**OEMK**
**Production**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Pellets	896	1,054	-15.0%	3,977	3,969	0.2%
DRI	823	788	4.4%	3,223	2,967	8.6%
Crude steel	874	846	3.3%	3,435	3,481	-1.3%

**Shipments by product**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
DRI	32	43	-25.6%	146	99	47.5%
Steel products	824	815	1.1%	3,268	3,306	-1.1%
Total shipments	857	858	-0.1%	3,414	3,405	0.3%

**Ural Steel**
**Production**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Hot metal	787	785	0.3%	3,025	2,686	12.6%
Crude steel	450	386	16.6%	1,618	1,278	26.6%

**Shipments by product**

tonnes '000	Q4 2018	Q3 2018	Change	FY 2018	FY 2017	Change
Pig iron	559	543	2.9%	2,176	2,077	4.8%
Steel products	374	320	16.9%	1,374	1,107	24.1%
Total shipments	933	863	8.1%	3,550	3,184	11.5%



## IR contacts

For any additional information, please do not hesitate to contact our Investor Relations & Corporate Ratings department or send an email to [ir@metalloinvest.com](mailto:ir@metalloinvest.com).



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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 Holding Company USM LLC. Alisher Usmanov is the major beneficiary of Holding Company USM LLC (49%), with other major beneficiaries being the companies of Vladimir Skoch (30%) and Farhad Moshiri (8%).