

## Operational Results for Q3 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 third quarter of 2018.

### Management comments

Andrey Varichev, CEO of Management Company Metalloinvest, commented:

“We are pleased to have recorded a significant increase in the production of all major products during the first 9 months of the year. However, the scheduled maintenance works on Metalloinvest’s key production equipment in the third quarter have affected the Company’s quarter-on-quarter operating results.

Furthermore, we are delighted to note that, in line with our strategy of increasing the share of high value-added products, the shipment of pellets and HBI in January-September amounted to 72% of the total sales of iron ore products, compared to 60% for the same period last year. The share of shipments of high value-added steel products has consistently been making up approximately half of our total steel product sales.”

### Iron ore products

- In Q3 2018, Metalloinvest produced 10.0 mn tonnes of iron ore<sup>1</sup>, a decrease of 1.3%<sup>2</sup> q-o-q, mainly due to scheduled maintenance works at LGOK and MGOK. In 9M 2018, the Company produced 30.0 mn tonnes of iron ore (-0.6% y-o-y)
- In Q3 2018, the Company increased pellet production by 2.4% q-o-q to 7.1 mn tonnes, mainly as a result of the partial change in the schedule of maintenance works at LGOK. In 9M 2018, the Company produced 20.8 mn tonnes of pellets (+11.8% y-o-y)
- In Q3 2018, HBI/DRI output decreased by 9.4% to 1.8 mn tonnes largely due to scheduled major maintenance works at two HBI plants. In 9M 2018, the Company produced 5.8 mn tonnes of HBI/DRI (+15.6% y-o-y)
- In Q3 2018, the share of high value-added (HVA) iron ore product shipments (pellets, HBI/DRI) increased to 75%, compared with 72% in Q2 2018

### Steel products

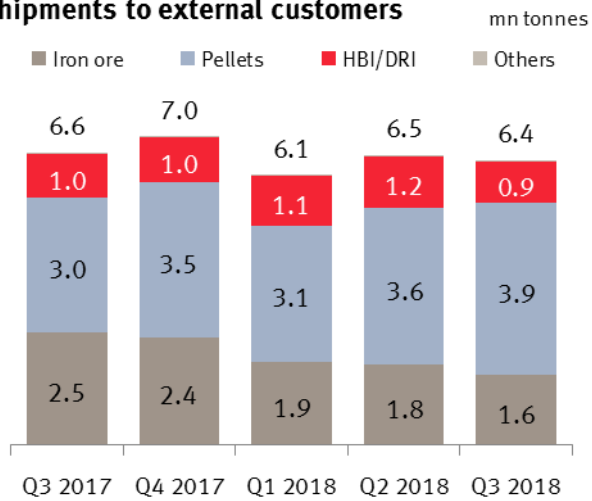
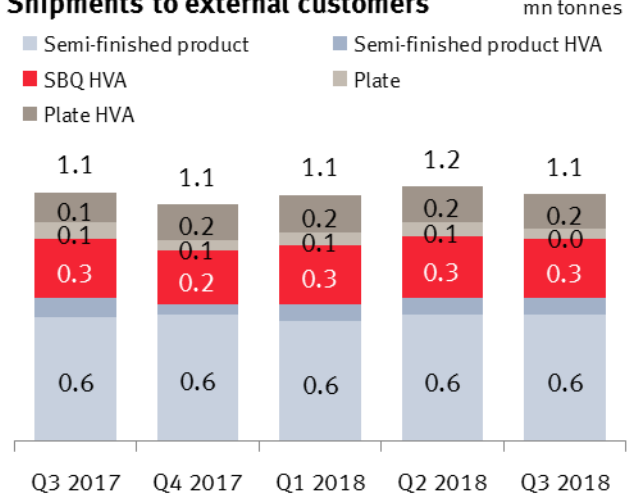
- In Q3 2018, Metalloinvest increased hot metal output by 6.5% q-o-q to 0.8 mn tonnes, mainly due to completion of major maintenance works at one of blast furnaces at Ural Steel in Q2 2018. In 9M 2018, the Company produced 2.2 mn tonnes of hot metal (+11.3% y-o-y)
- In Q3 2018, crude steel production decreased by 2.2% q-o-q to 1.2 mn tonnes. This was largely a result of a change in the product mix at OEMK and scheduled major maintenance works at Rolling Mill 2800 at Ural Steel. In 9M 2018, the Company produced 3.7 mn tonnes of crude steel (+3.8% y-o-y)
- In Q3 2018, HVA<sup>3</sup> steel product shipments as a proportion of the Company’s overall steel product shipments stood almost flat q-o-q at 44%

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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 Q3 2018 vs. Q2 2018 (if not stated otherwise)

<sup>3</sup>HVA stands for high value-added. More details about steel product categories are presented in Appendix on p.8

**Shipments to external customers**

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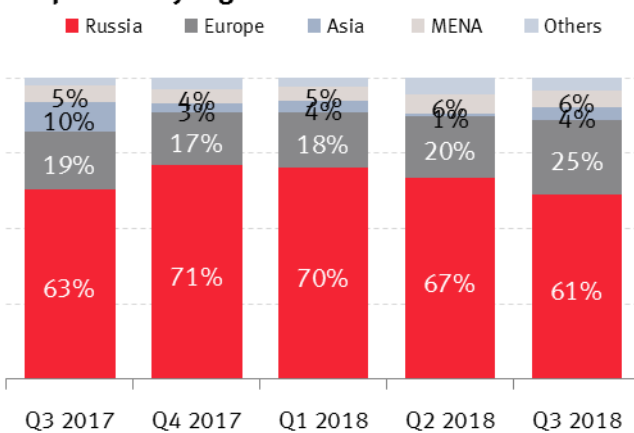
### Iron ore product shipments

- In Q3 2018, the total volume of iron ore product shipments to third parties decreased by 1.7% to 6.4 mn tonnes from 6.5 mn tonnes in Q2 2018
- In Q3 2018, the share of iron ore product shipments to Russia amounted to 61% vs. 67% in Q2 2018, due to reallocation of volumes to export markets
- In Q3 2018, the share of iron ore product shipments to Europe increased to 25% from 20% in Q2 2018, mainly due to an increase in HBI and high-quality concentrate sales to European customers
- In Q3 2018, the share of iron ore product supplies to Asia increased to 4% vs. 1% in Q2 2018, mainly due to allocation of additional volumes of pellets to customers from Japan
- In Q3 2018, the share of iron ore product shipments to MENA and other regions remained almost unchanged and amounted to 6% and 4% respectively

### Pig iron and steel product shipments

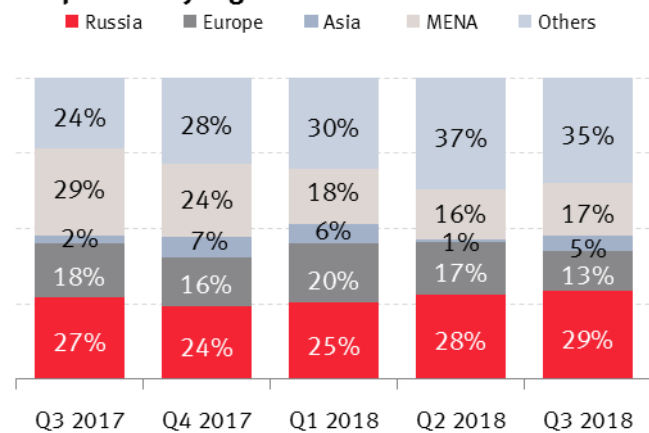
- In Q3 2018, the total volume of pig iron and steel product shipments to third parties decreased by 2.2% to 1.7 mn tonnes
- In Q3 2018, the share of pig iron and steel product shipments to Russia, MENA and other regions remained almost unchanged and amounted to 29%, 17% and 35% respectively
- In Q3 2018, the share of pig iron and steel products shipped to Europe declined to 13% vs. 17% in Q2 2018 mostly as a result of the reallocation of pig iron shipments to other markets
- In Q3 2018, the share of pig iron and steel product shipments to Asia increased to 5% from 1% in Q2 2018, mainly due to increased supplies to customers from the Philippines and Japan

#### Shipments by region\*



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

#### Shipments by region\*\*

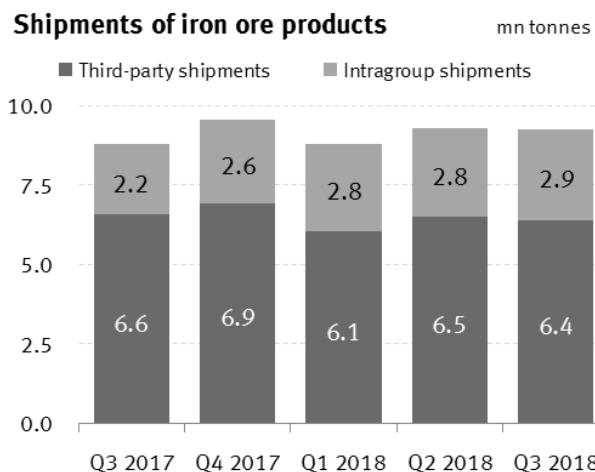
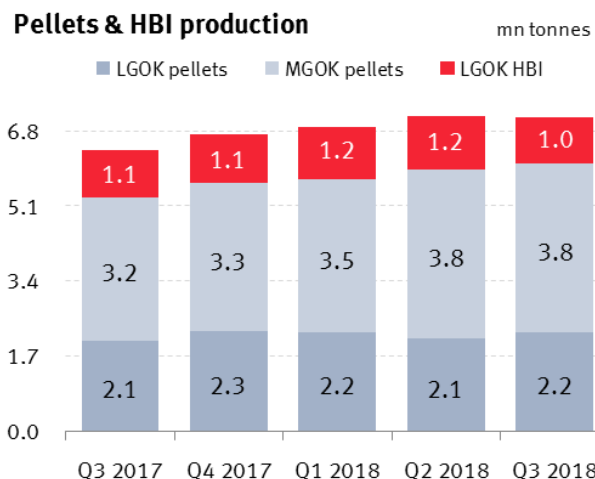
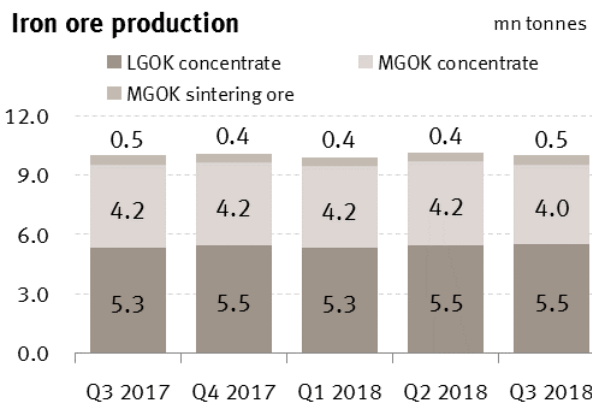


\*\* Shipments of pig iron and steel products



### Mining Segment

- In Q3 2018, iron ore production at LGOK increased by 1.0% q-o-q to 5.5 mn tonnes, mainly due to higher productivity, as well as the calendar factor<sup>4</sup>, despite a scheduled increase in maintenance works
- In Q3 2018, iron ore production at MGOK decreased by 5.2% q-o-q to 4.0 mn tonnes largely as a result of scheduled maintenance works
- In Q3 2018, pellet production at LGOK increased by 6.4% q-o-q to 2.2 mn tonnes, largely as a result of a partial change in the maintenance works schedule
- In Q3 2018, pellet output at MGOK remained largely flat q-o-q, amounting to 3.8 mn tonnes
- In Q3 2018, HBI production at LGOK decreased by 15.7% q-o-q to 1.0 mn tonnes, mainly due to scheduled major maintenance works at two HBI plants



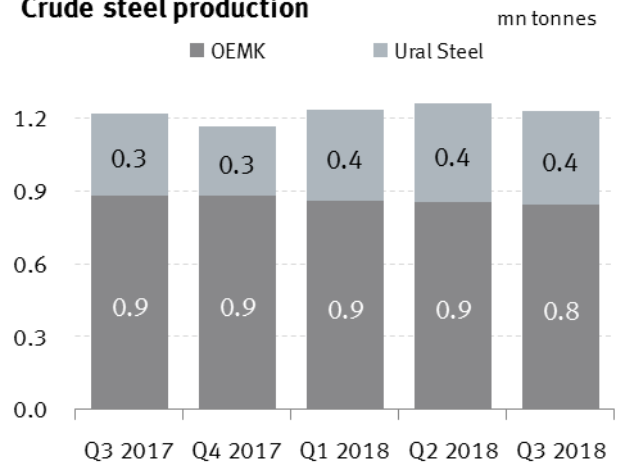
<sup>4</sup> Hereinafter the "calendar factor" refers to an increase in the number of calendar days in Q3 2018 vs. Q2 2018



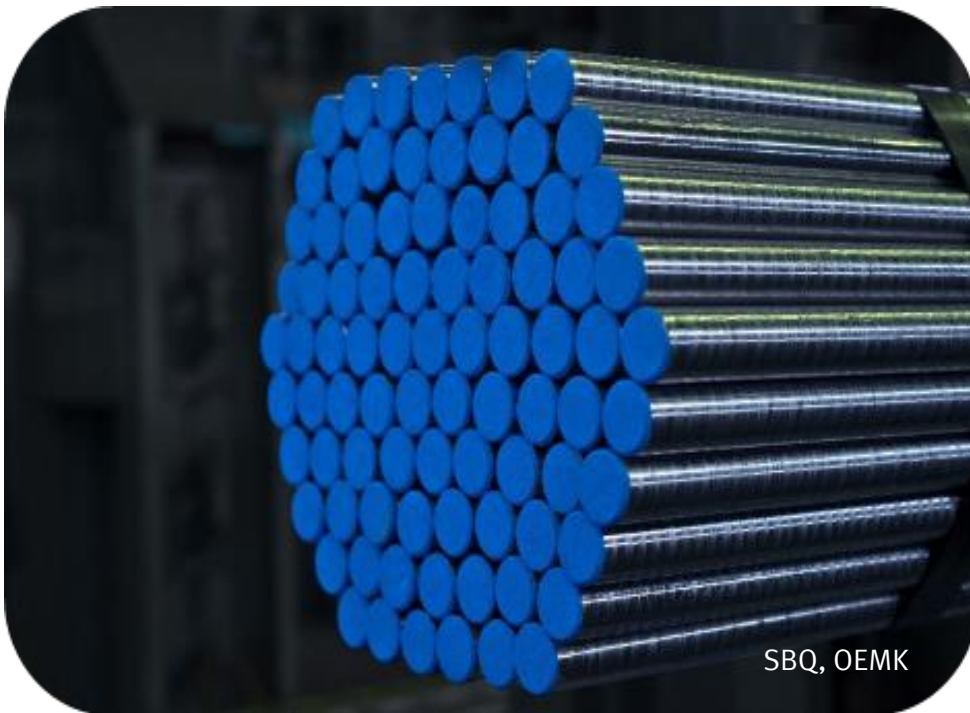
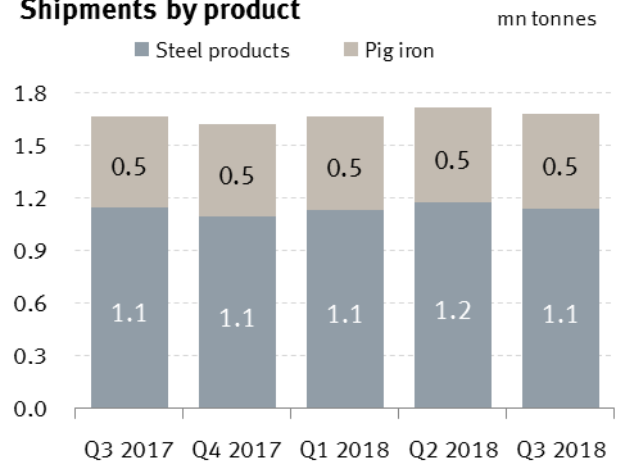
Steel Segment

- In Q3 2018, OEMK increased pellet production by 1.8% q-o-q to 1.1 mn tonnes, primarily due to a decrease in maintenance works and the calendar factor
- In Q3 2018, DRI output at OEMK remained largely flat q-o-q, amounting to 0.8 mn tonnes
- In Q3 2018, crude steel production at OEMK amounted to 0.8 mn tonnes, a decrease of 1.2% q-o-q, mainly resulting from the decrease of productivity following a change in the product mix
- In Q3 2018, Ural Steel increased hot metal output by 6.5% q-o-q to 0.8 mn tonnes, mainly due to the completion of major maintenance works at one of blast furnaces in Q2 2018
- In Q3 2018, crude steel output at Ural Steel decreased by 4.5% q-o-q to 0.4 mn tonnes, mostly as a result of lower CCM<sup>5</sup>-2 loading due to major maintenance works at Rolling Mill 2800

Crude steel production



Shipments by product

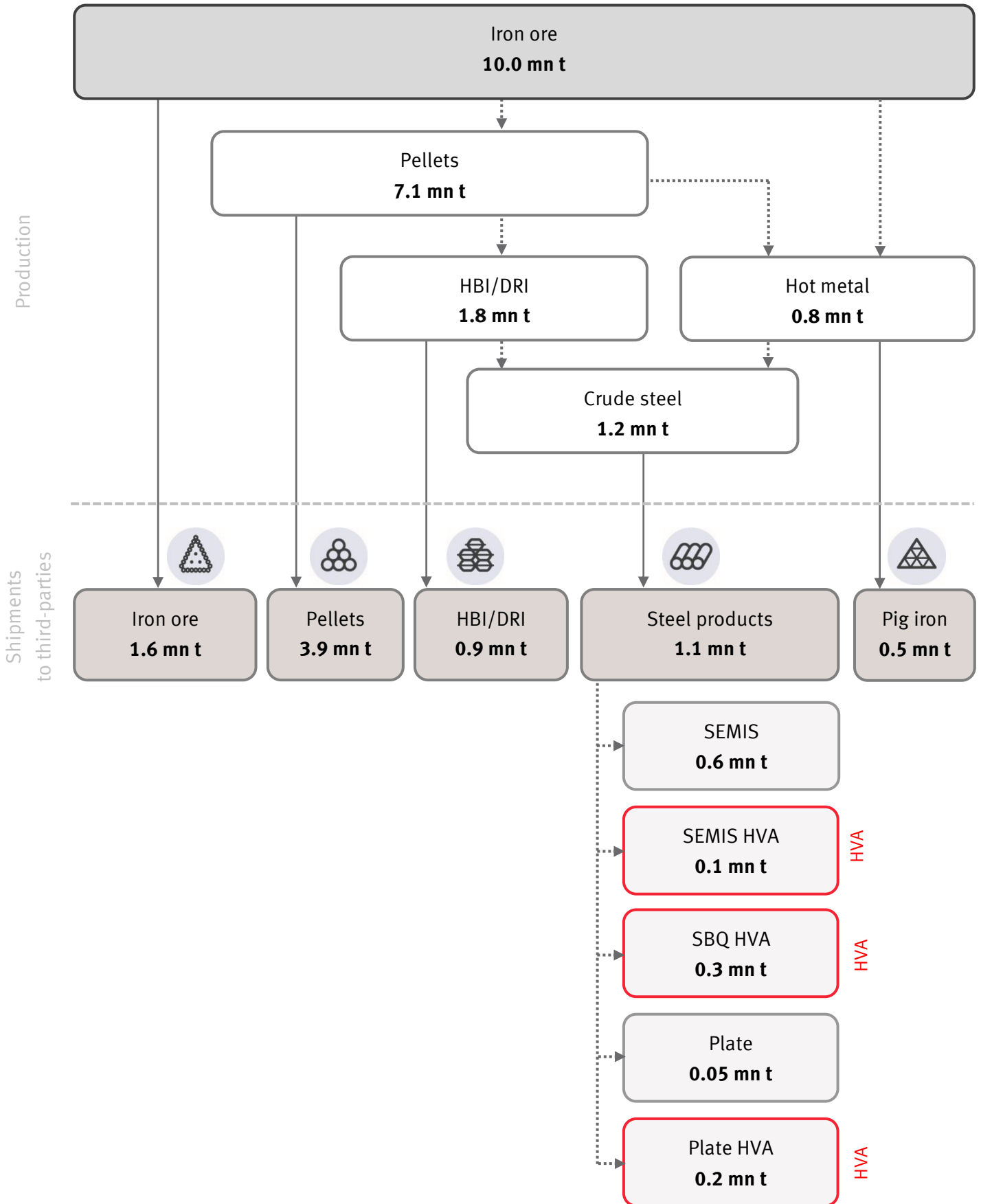


<sup>5</sup> Continuous Casting Machine





Production and shipments for Q3 2018



## Appendix

### Metalloinvest consolidated results – Iron ore products

#### Production

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Iron ore*	9,995	10,124	-1.3%	30,012	30,196	-0.6%
Pellets	7,126	6,956	2.4%	20,773	18,573	11.8%
HBI/DRI	1,810	1,997	-9.4%	5,828	5,041	15.6%

#### Shipments by product\*\*

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Iron ore*	1,581	1,807	-12.5%	5,268	7,955	-33.8%
Pellets	3,889	3,560	9.2%	10,534	9,312	13.1%
HBI/DRI	943	1,159	-18.6%	3,213	2,560	25.5%
Other***	9	9	-	29	26	11.5%
Total shipments	6,422	6,536	-1.7%	19,045	19,853	-4.1%

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

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Russia	3,948	4,380	-9.9%	12,618	11,251	12.2%
Europe	1,591	1,338	18.9%	4,022	5,536	-27.3%
Asia	251	61	311.5%	566	1,228	-53.9%
MENA	357	413	-13.6%	1,051	1,039	1.2%
Other	274	345	-20.6%	788	797	-1.1%
Total shipments	6,422	6,536	-1.7%	19,045	19,853	-4.1%

\* 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	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Hot metal	785	737	6.5%	2,238	2,010	11.3%
Crude steel	1,232	1,260	-2.2%	3,729	3,591	3.8%

**Shipments by product\***

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Pig iron	543	542	0.2%	1,616	1,545	4.6%
Steel products, incl.**:	1,136	1,174	-3.2%	3,444	3,322	3.7%
SEMIS	584	581	0.5%	1,720	1,615	6.5%
SEMIS HVA	75	81	-7.4%	231	271	-14.8%
SBQ HVA	269	279	-3.6%	822	771	6.6%
Plate	48	70	-31.4%	177	251	-29.5%
Plate HVA	160	164	-2.4%	495	415	19.3%
Total shipments, incl.:	1,679	1,716	-2.2%	5,060	4,867	4.0%
Steel products HVA	504	524	-3.8%	1,548	1,457	6.2%

**Shipments by region**

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Russia	490	482	1.7%	1,393	1,382	0.8%
Europe	221	299	-26.1%	851	665	28.0%
Asia	88	17	-	211	159	32.7%
MENA	293	280	4.6%	879	1,072	-18.0%
Other	586	639	-8.3%	1,726	1,589	8.6%
Total shipments	1,679	1,716	-2.2%	5,060	4,867	4.0%

\* 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	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Concentrate	5,520	5,463	1.0%	16,278	16,386	-0.7%
Pellets	2,226	2,092	6.4%	6,540	6,306	3.7%
HBI	1,021	1,211	-15.7%	3,428	2,919	17.4%

**Shipments by product**

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Concentrate	2,760	2,995	-7.8%	8,297	8,835	-6.1%
Pellets	746	301	147.8%	1,508	1,785	-15.5%
HBI	1,001	1,240	-19.3%	3,430	2,908	18.0%
Other	72	85	-15.3%	266	248	7.3%
Total shipments	4,578	4,621	-0.9%	13,500	13,776	-2.0%

**Inc. intragroup shipments**

Concentrate	1,580	1,729	-8.6%	4,795	3,531	35.8%
Pellets	120	76	57.9%	333	0	-
HBI	100	117	-14.5%	329	412	-20.1%
Other	62	76	-18.4%	236	223	5.8%

**MGOK****Production**

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Sintering ore	463	427	8.4%	1,300	1,466	-11.3%
Concentrate	4,012	4,234	-5.2%	12,434	12,344	0.7%
Pellets	3,846	3,829	0.4%	11,150	9,196	21.2%

**Shipments by product**

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Sintering ore	450	380	18.4%	1,134	1,334	-15.0%
Concentrate	300	393	-23.7%	1,659	2,182	-24.0%
Pellets	3,932	3,888	1.1%	11,066	9,043	22.4%
Total shipments	4,682	4,661	0.5%	13,859	12,559	10.4%

**Inc. intragroup shipments**

Sintering ore	156	120	30.0%	276	263	4.9%
Concentrate	192	112	71.4%	751	603	24.5%
Pellets	669	554	20.8%	1,707	1,515	12.7%

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

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Pellets	1,054	1,035	1.8%	3,082	3,070	0.4%
DRI	788	786	0.3%	2,399	2,122	13.1%
Crude steel	846	856	-1.2%	2,562	2,600	-1.5%

**Shipments by product**

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
DRI	43	37	16.2%	114	65	75.4%
Steel products	815	817	-0.2%	2,443	2,477	-1.4%
Total shipments	858	854	0.5%	2,557	2,543	0.6%

**Ural Steel****Production**

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Hot metal	785	737	6.5%	2,238	2,010	11.3%
Crude steel	386	404	-4.5%	1,168	992	17.7%

**Shipments by product**

tonnes '000	Q3 2018	Q2 2018	Change	9M 2018	9M 2017	Change
Pig iron	543	542	0.2%	1,616	1,545	4.6%
Steel products	320	357	-10.4%	1,000	844	18.5%
Total shipments	863	899	-4.0%	2,616	2,390	9.5%

**IR contacts**

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

**Artem Lavrishev**

Director of department

T: +7 (495) 981 55 55, ext. 7243

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%).