METALLOINVEST ANNOUNCES INTERIM MANAGEMENT STATEMENT FOR Q3 AND 9M 2018

Moscow, Russia – 27 November 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 IFRS interim management statement for the third quarter and nine months ended 30 September 2018.

FINANCIAL HIGHLIGHTS FOR THE FIRST NINE MONTHS OF 2018

- Revenue USD 5,342 mn (+17.3% y-o-y[1])
- EBITDA[2] USD 2,183 mn (+41.4%)
- EBITDA margin 40.9% vs. 33.9% in 9M 2017
- Net Income USD 1,245 mn (+14.3%)
- Net Debt USD 3,646 mn (-10.1% compared to 31 December 2017)
- Net Debt / EBITDA LTM[3] 1.3x vs 1.9x at 31 December 2017
- Capital Expenditure USD 320 mn (-4.6%)

KEY CORPORATE HIGHLIGHTS IN Q3 2018

Operating activities and capital expenditures

- Launch of the Roller Treatment Furnace #1 and Heat Treatment Machine #1 Complex at Ural Steel
- Start of implementation of fine screening technology at MGOK[4]
- Launch of new warehouse for the storage and shipment of finished products at OEMK[5]
- Launch of integrated financial and business management system, using the SAP S/4HANA business suite at LGOK[6] and MGOK
- Coordination meetings with United Metallurgical Company and ChelPipe

Financing

- Improvement of credit conditions under syndicated loan PXF-2017 for the amount of USD 800 mn (Tranche A)
- Partial refinancing of loan portfolio following the new 6-year loan provided by Gazprombank in the amount of RUB 18.8 bn
- Revision of the Company's outlook on its corporate credit rating by RAEX (Expert RA) to Positive from Stable, confirmation of its 'ruAA-' rating
- Revision of the Company's outlook on its long-term issuer default rating by Fitch Ratings to Positive from Stable, confirmation of its 'BB' rating

[1] Hereinafter comparison with 9M 2017 unless indicated otherwise
[2] Hereinafter EBITDA stands for EBITDA adjusted according to IFRS requirements.
[3] 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
[4] Mikhailovsky GOK
[5] Oskol Electrometallurgical Plant
[6] Lebedinsky GOK

INCOME STATEMENT

USD mn	9M 2018	9M 2017	Change, y-o-y	Q3 2018	Q3 2017	Change, y-o-y
Revenue	**5,342**	4,556	+17.3%	**1,564**	1,524	+2.6%
EBITDA	**2,183**	1,544	+41.4%	**693**	483	+43.3%
EBITDA margin	**40.9%**	33.9%	+7.0 pp	**44.3%**	31.7%	+12.6 pp
Net Income	**1,245**	1,089	+14.3%	**375**	503	-25.4%

In 9M 2018, the Company's revenue increased by 17.3% to USD 5,342 mn, up from USD 4,556 mn in 9M 2017, mainly as a result of the following factors:

- increase in average prices of all iron ore products, as well as pig iron and steel products due to the growth in global prices;
- change in product mix: physical external supply volumes of pellets and HBI[7]/DRI[8] increased by 13.1% and 25.5% respectively, while shipments of special bar quality ("SBQ") and high value-added ("HVA") flat products were up by 6.6% and 19.3% respectively.

In 9M 2018, the Company's EBITDA rose by 41.4% to USD 2,183 mn, compared with USD 1,544 mn in 9M 2017. EBITDA margin grew to 40.9% from 33.9% in 9M 2017.

In 9M 2018, Mining Segment EBITDA increased by 24.9% to USD 1,619 mn, mainly driven by a change in the product mix in favour of HVA products (pellets, HBI). The Steel Segment EBITDA doubled to USD 531 mn from USD 267 mn in 9M 2017, which was also supported by the supply growth of HVA steel products.

Net income in 9M 2018 amounted to USD 1,245 mn, an increase of 14.3% compared with USD 1,089 mn for the same period in 2017.

FINANCIAL POSITION

As of 30 September 2018, the Company's Net Debt amounted to USD 3,646 mn, a decrease of 10.1% compared to USD 4,056 mn as at 31 December 2017. Net Debt/EBITDA LTM decreased to 1.3x from 1.9x at the end of 2017, as a result of a y-o-y increase in the Company's EBITDA in 9M 2018.

As of 30 September 2018, long-term loans and borrowings amounted to 92%, mostly unchanged compared to 31 December 2017. Short-term debt mainly comprised of revolving trade finance lines.

As of 30 September 2018, the Company's cash and cash equivalents amounted to USD 604 mn, compared with USD 390 mn as of 31 December 2017, an increase of 54.8%.

In July 2018, the Russian rating agency RAEX changed the outlook of its long-term credit rating for Metalloinvest from Stable to Positive, confirming the 'ruAA-' rating.

In August 2018, Fitch Ratings changed the outlook of its long-term credit rating for Metalloinvest from Stable to Positive, confirming long-term issuer default rating at 'BB'.

[7] Hot briquetted iron
[8] Direct reduced iron

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LIQUIDITY AND CAPITAL RESOURCES

In August 2018, Metalloinvest signed an amendment to the PXF-2017 credit agreement with a club of international and Russian banks. According to the amendment, USD 800 mn tranche A entailed a reduction in the interest rate margin linked to LIBOR, as well as an extension of the debt maturity from 2020–2022 to 2021–2023. The terms of tranche B under the PXF-2017 agreement have remained unchanged: the USD 250 mn tranche with a maturity period in 2022–2024.

In September 2018, the Company partially refinanced its loan portfolio following the signing of a credit line agreement with Gazprombank. In accordance with the terms of the agreement, the Company has raised RUB 18.8 bn with a 6-year maturity. These funds were used in full for the early repayment of the Sberbank loan, due in the first half of 2019.

CAPEX PROGRAMME

In 9M 2018, the Company's capital expenditures amounted to USD 320 mn, largerly unchanged compared to USD 335 mn in the same period in 2017.

In April 2018, the final acceptance certificate for the launch of HBI-3 Plant was signed at LGOK. Infrastructure facilities are currently being implemented, and spending on this project accounted for approximately 10% of capital expenditures in 9M 2018.

The Company has started a project to develop an external power supply system at LGOK to reduce the cost of services for electrical power supply and raising energy security at the plant. Works on the 1st launch complex have been completed, while implementation and contracting works on the 2nd, 3rd and 4th launch complexes are underway.

Glavgosexpertiza has provided a positive assessment of the cyclical and continuous transportation system project at LGOK, which involves detailed engineering, design, mining and preparatory works.

As part of the development of the open-pit mine at MGOK, work continues on the construction of a crushing and conveyor facility. Glavgosexpertiza provided a positive assessment of the conveyor on the south-eastern side of the quarry, where the supply of equipment and construction and installation works are ongoing. For the conveyor on the north-eastern side of the quarry, an agreement was signed for the execution of design and exploration works. Work is underway to agree a contract for the supply of equipment. About 4% of the capital expenditures for 9M 2018 were used to finance this development project.

As part of the complex development project at MGOK, aimed at increasing the quality of iron ore products and the development of the beneficiation plant's capacities, a pilot project was implemented for the introduction of fine screening technology: 13 screens are planned to be delivered by the end of 2018; options for upgrading milling facilities are being developed; for the development of the pelletisation plant's capacity, the modernisation of Pellet Plant #3 will be completed with an increase in productivity of 5% by the end of 2018. The use of new Derrick stack sizers at MGOK's beneficiation plant will improve the quality of merchant iron ore concentrate — increasing the iron content from 65% to 67% while reducing the content of silicon dioxide. The volume of investments in the project up until 2022 is estimated at RUB 10.6 bn.

The Company continued the upgrade of its mining transport systems at LGOK and MGOK. The Company allocated approximately 10% of its capital expenditure in 9M 2018 to the purchase of new equipment.

In May 2018, a warehouse for finished products was commissioned at OEMK. At OEMK, the complex programme of strengthening customer focus and improving the quality of SBQ products continues. As part of this programme, the Company is building two heat treatment furnaces with an annual capacity of 70,000 tonnes of SBQ that will be established within the enterprise's finishing plant. The facility will add to the existing capacity for heat treatment of steel at OEMK. Metalloinvest has agreed an equipment supply contract for the facility with Danieli group. During the reporting period, project documentation was developed, detailed engineering and development of working documentation is being carried out, contracts for auxiliary equipment are being signed, and equipment is being supplied.

As part of the project focused on the technical re-equipping of Continuous Casting Machine #3 at OEMK, a contract was signed with the equipment supplier, basic engineering works have been completed, and equipment is being manufactured. For the technical re-equipping of the 5th and 6th cooling circuits of the continuous casting machine, construction and installation works are being carried out and contracts for the supply of materials are being signed and agreed.

In July 2018, as part of the integrated investment programme for the reorganisation of production at Ural Steel, which aims at increasing operational and managerial efficiency, the Company launched the Roller Treatment Furnace #1 and Heat Treatment Machine #1 Complex. The installation of new equipment at Sheet Rolling Facility #1 enables Ural Steel to increase the production capacity of the heat treatment furnace from 28.6 to 30.7 tonnes per hour and strengthens the Company's position in the market for heat-treated rolled products. Roller Treatment Furnace #1 and Heat Treatment Machine #1 will also help to improve the characteristics of the heavy plate, ensuring the physical uniformity of the rolled steel products following heat treatment, by improving heating and cooling conditions. In 2017, Metalloinvest signed a EUR 11.5 mn ten-year credit line guaranteed by credit export agency Euler Hermes Aktiengesellschaft (Germany) to finance the project.

The Company has launched the modernisation project of the electric arc furnace shop at Ural Steel. Metalloinvest signed a contract for the supply of two electric arc furnaces with the Italian company Tenova. The furnaces will be transitioned to using Flexible Modular Furnace (FMF) technology, which will provide flexibility in the use of various charge components and will ensure a reduction in the cost of steel production and increase the efficiency of the activities at Ural Steel.

During the reporting period, as a part of the Industry 4.0 business transformation programme at LGOK and MGOK, aimed at creating an integrated financial and business management system, the first phase of centralising basic functions at LGOK and MGOK and relevant personnel was completed. The Company invested approximately 8% of its capital expenditure in 9M 2018 in the Industry 4.0 programme.

OTHER KEY CORPORATE EVENTS

In July 2018, Metalloinvest announced a successful start to the operations of their integrated financial and business management system, using the SAP S/4HANA business suite at LGOK and MGOK, as part of the Company's programme of digital transformation. Furthermore, the Company opened an Innovation Centre in Stary Oskol, which will house all the Company's digital technology initiatives and projects to develop solutions for managing production and business processes. The Company also signed memorandums of cooperation with SAP and Accenture.

In July 2018, MGOK was announced as a winner in the "iron ore pellets" category of a competition for suppliers to Magnitogorsk Iron and Steel Works (MMK). The competition commission chose best suppliers in 18 nominations out of 1700 MMK suppliers in 2017.

In July 2018, OEMK was named among this year's best Russian suppliers by one of the largest global car manufacturers, Groupe PSA (whose brands include Peugeot, Citroen, Opel, DS and others). OEMK was named Best Plant as a supplier of high quality steel rods to Groupe PSA enterprises.

In July 2018, Metalloinvest and ChelPipe group held a coordination meeting at Ural Steel, in which they agreed to create a collaborative scientific and engineering centre for the development of new steel grades for large diameter pipes.

In September 2018, Metalloinvest and United Metallurgical Company (OMK) held the latest meeting of the two companies' Coordination Committee. The production and supply of steel concast billets from Ural Steel for the production of railway wheels at Vyksa Steel Works (part of OMK) was discussed at the meeting.

SUBSEQUENT EVENTS

October 2018

Metalloinvest signed a long-term agreement with The Linde Group (“Linde”) to supply air separation products to Ural Steel. Linde will invest approximately EUR 50 mn in the construction of a new Air Separation Unit (ASU) #6 for oxygen production at Ural Steel. Metalloinvest will invest over RUB 700 mn in the construction of infrastructure required for ASU #6: pipelines for the transportation of air separation products and service water, power supply lines, etc. The ASU #6 will have capacity to produce up to 20,000 cubic metres of industrial oxygen per hour. The launch of the unit is scheduled for the first quarter of 2021.

November 2018

Metalloinvest has received the debut rating of corporate social responsibility (CSR) from the international agency EcoVadis. Following the assessment, the Company was awarded the "Silver" level of recognition of CSR practices. Metalloinvest was placed in the top 11% of producers rated by EcoVadis globally in the basic iron and steel manufacturing industry (over 900 companies).

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