

METALLOINVEST ANNOUNCES IFRS FINANCIAL RESULTS FOR Q1 2019

Moscow, Russia – 31 May 2019 – Metalloinvest (‘the Company’), a leading global iron ore and HBI producer, and one of the regional producers of high-quality steel, publishes its IFRS financial results for the first quarter ended 31 March 2019.

Management comments

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

“The growth in high value added products sales, favourable market conditions and the implementation of the operational improvement programme allowed Metalloinvest to enhance its financial results in Q1 2019. EBITDA grew by 8.1% compared to Q1 2018 and amounted to USD 730 mn, while EBITDA reached USD 3.0 bn over the past 12 months (since April 2018). The Company's leveraging remained low with Net Debt / EBITDA LTM at 1.1x. The Company's rating upgrades by S&P and Moody's in Q1 2019, as well as Fitch and Expert RA in May 2019, were a positive assessment of the Company's performance.”

FINANCIAL HIGHLIGHTS

- Revenue USD 1,856 mn (+2.4% y-o-y¹)
- EBITDA² USD 730 mn (+8.1%)
- EBITDA margin 39.3% vs. 37.2% in Q1 2018
- Net Income USD 539 mn (+29.6%)
- Net Debt USD 3,336 mn (-0.7% compared to 31 December 2018)
- Net Debt / EBITDA LTM³ 1.1x (at the level of 31 December 2018)
- Capital Expenditure USD 88 mn (-7.4%)

KEY CORPORATE HIGHLIGHTS

Operational and commercial highlights

- Coordination meeting with United Metallurgical Company (OMK)
- Launch of equipment installation for heat treatment facility at OEMK
- Purchase of new equipment for Lebedinsky GOK (LGOK) and Mikhailovsky GOK (MGOK) (mining dump trucks with a lifting capacity of 180-220 tonnes, heavy-duty excavators and locomotives)

Financing

- Upgrade of the Company's corporate credit rating to ‘BB+’ with a stable outlook from ‘BB’ / Stable by S&P
- Upgrade of the Company's corporate credit rating to ‘Ba1’ with a stable outlook from ‘Ba2’ / Positive by Moody's

¹ Hereinafter comparison with Q1 2018 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

INCOME STATEMENT

USD mn	Q1 2019	Q1 2018	Change, y-o-y
Revenue	1,856	1,813	+2.4%
EBITDA	730	675	+8.1%
EBITDA margin	39.3%	37.2%	+2.1 ppt.
Net Income	539	416	+29.6%

In Q1 2019, the Company's revenue increased by 2.4% to USD 1,856 mn, up from USD 1,813 mn in Q1 2018, mainly as a result of the following factors:

- Change in the product mix – physical external supply volumes of HBI/DRI grew by 10.2%, shipments of pellets were up by 8.1%
- Increase in average iron ore and pellet prices as a result of growth in global prices

EBITDA in the accounting period grew by 8.1% to USD 730 mn compared with USD 675 mn in Q1 2018 as a result of the mining segment EBITDA increase (+31.2%).

In Q1 2019, EBITDA margin increased to 39.3% from 37.2% in Q1 2018. The growth is the result of the increased proportion of high value-added products in the Company's product mix, growth in global prices, and the implementation of the programme to increase operational efficiency.

Net income in Q1 2019 amounted to USD 539 mn, an increase of 29.6% compared with USD 416 mn for the equivalent period in 2018.

FINANCIAL POSITION

As of 31 March 2019, the Company's Net Debt amounted to USD 3,336 mn (-0.7% compared with 31 December 2018). Net Debt/EBITDA LTM remained at the level of 1.1x (the same as of 31 December 2018).

Long-term debt remains prevalent in the loan portfolio structure (93.0% of total debt as of 31 March 2019 compared to 94.6% at the end of 2018). Short-term debt amounted to USD 287 mn as of reporting date.

As of 31 March 2019, the Company's cash and cash equivalents amounted to USD 730 mn compared with USD 693 mn as of 31 December 2018, an increase of 5.3%.

In February 2019, S&P upgraded the Company's corporate credit rating to 'BB+' with a stable outlook from 'BB' / Stable. According to a statement published by S&P, Metalloinvest's rating upgrade to 'BB+' reflects the Company's continuous debt reduction over recent years, as well as strong operating and financial results achieved in 2018.

In March 2019, Moody's upgraded the Company's corporate credit rating to 'Ba1' with a stable outlook from 'Ba2' / Positive. According to Moody's statement, Metalloinvest's rating upgrade to 'Ba1' reflects the Company's deleveraging, sustainable positive free cash flow, healthy liquidity, proactive debt portfolio management and improved corporate governance.

CAPEX PROGRAMME

In Q1 2019, the Company's capital expenditure amounted to USD 88 mn and was directed mainly to the following projects:

- Technical re-equipping of the open-pit mines through the purchase of special equipment (mining dump trucks with a lifting capacity of 180-220 tonnes, heavy-duty excavators and locomotives, dump cars and others)
- Development projects including the construction of a crushing and conveyor facility, and fine screening technology at MGOK, as well as the construction of HBI-3 Plant infrastructure at LGOK, medium pressure CHP⁴ boilers at Ural Steel and the heat treatment facility for hot-rolled steel at OEMK (SBQ)
- Integration of the business transformation programme to create an integrated financial and business management system based on Industry 4.0 at OEMK and Ural Steel

OTHER KEY CORPORATE EVENTS

OEMK and the scientists at the scientific and technical steel-smelting laboratory of the A.A. Ugarov Sary Oskol Technological Institute, a branch of the National University of Science and Technology MISiS successfully developed a new steel grade at OEMK (sparingly alloyed chrome-manganese steel). The new steel grade has been developed specifically for the Slovakian company HKS, a leading manufacturer of forgings and stamping products in Europe, which are used in the automotive and mechanical engineering industries.

In March 2019, Metalloinvest and OMK held a Coordination Committee meeting, during which they discussed the production of concast billets at Ural Steel in order to produce railway wheels at Vyksa Steel Works (part of OMK), as well as plans to supply steel flat products and pipe billets.

In March 2019, Metalloinvest and Gazprom Neft exchanged their industrial safety experience as part of a visit to Gazprom Neft Omsk Refinery.

SUBSEQUENT EVENTS

April 2019

Based on Q4 2018 results the Company declared dividends in the total amount of RUB 5.5 bn.

The Company re-elected a new Board of Directors. Vakhtang Kocharov, Chairman of the Board of Directors and Chief Executive Director of Metalloinvest Trading AG, and Chief Executive Director of Metalloinvest Logistics AG, was elected to the Board of Directors for the first time. The Board of Directors comprises the following members: Ivan Streshinsky (Chairman), Andrey Varichev, Vakhtang Kocharov, Pavel Mitrofanov, Gleb Kostikov, Irina Lupicheva, Valery Kazikaev, Galina Aglyamova and Dmitry Tarasov. There were no changes to the composition of the Board of Directors Committees.

Metalloinvest opened a sustainable finance credit line with ING Bank in the amount of up to USD 100 mn (or EUR equivalent) until 30 November 2020. The terms of the agreement state that the interest rate of the 'Sustainability Improvement Loan' depends on the level of the Company's Corporate Social Responsibility rating and may be reduced if Metalloinvest's rating indicators improve.

⁴ Combined Heat and Power

The Company partially refinanced its loan portfolio by signing a new loan agreement with Gazprombank in the amount of RUB 8.33 bn with a 6-year tenor. Raised funds were used in full for the early repayment of one of the Sberbank loans, the repayment of which was scheduled for the first quarter of 2020. As a result, the Company has practically zero debt maturities in the period Q2 2019 – Q1 2020.

Metalloinvest placed BO-09 series exchange RUB-denominated bonds issue in the amount of RUB 5 bn, a maturity period of 10 years and a call option at 100.50% of the nominal value in 4 years (after the 8th coupon period). It was also implied a put option at the nominal value in 7 years (after the 14th coupon period). The coupon rate has been set at 8.85%. Metalloinvest used the raised RUB 5 bn of funds for the advanced repayment of a portion of its loan from Sberbank, with the repayment scheduled for July 2020.

May 2019

Fitch Ratings has upgraded the Company's corporate credit rating to 'BB+' with a stable outlook from 'BB' / Positive.

Russian rating agency Expert RA upgraded Metalloinvest's credit rating to 'ruAA' with a stable outlook from 'ruAA-' / Positive.

The Company has redeemed part of the outstanding Eurobonds-2020 for the nominal value of USD 62.1 mn using its own funds. As a result, the Eurobonds' current outstanding nominal value is USD 270.6 mn with maturity in April 2020.

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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. The main beneficiaries of USM Holdings are Alisher Usmanov (49%) and Vladimir Skoch (30%).