

MMK Group Trading Update for Q1 2019

MMK Group: Consolidated results

(thousand tonnes)

	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
Finished products sales, of which:	2,782	2,936	-5.2%	2,782	2,828	-1.6%
Long products	329	356	-7.6%	329	284	15.8%
Flat hot-rolled products	1,111	1,232	-9.8%	1,111	1 199	-7.3%
Thick plate (mill 5000)	293	184	59.2%	293	192	52.6%
Flat cold-rolled products	257	292	-12.0%	257	338	-24.0%
Downstream products, of which:	793	872	-9.0%	793	815	-2.7%
<i>Tin plate</i>	32	33	-3.0%	32	36	-11.1%
<i>Galvanised steel</i>	414	449	-7.8%	414	435	-4.8%
<i>Polymer-coated steel</i>	156	166	-6.0%	156	152	2.6%
<i>Band</i>	35	34	2.9%	35	37	-5.4%
<i>Formed section</i>	41	44	-6.8%	41	35	17.1%
<i>Pipes</i>	11	15	-26.7%	11	11	0%
<i>Metalware</i>	93	108	-13.9%	93	95	-2.1%
<i>Other metal products</i>	11	24	-54.2%	11	14	-21.4%
HVA products	1,342	1,349	-0.5%	1,342	1,345	-0.2%
Share of HVA products	48.2%	45.9%		48.2%	47.6%	
Coal concentrate production	777	781	-0.5%	777	666	16.7%
Iron ore production	716	816	-12.3%	716	751	-4.7%

Q1 2019 highlights vs. Q4 2018

- ✓ MMK Group's total sales of finished products in Q1 2019 totalled 2,782 thousand tonnes, down 5.2% quarter-on-quarter (q-o-q) or down 1.6% year-on-year (y-o-y).
- ✓ MMK Group's sales of HVA products in Q1 2019 remained almost at the level of the previous quarter and amounted to 1,342 thousand tonnes. The share of HVA products in total sales increased to 48.2%.
- ✓ MMK Coal's coal concentrate production in Q1 2019 totalled 777 thousand tonnes, almost flat q-o-q but up 16.7% y-o-y.

MMK Group highlights by key segments

PSJC MMK

(thousand tonnes)

	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
Pig iron	2,396	2,558	-6.3%	2,396	2,404	-0.3%
Crude steel	3,107	3,112	-0.2%	3,107	3,147	-1.3%
Finished products, of which:	2,731	2,812	-2.9%	2,731	2,830	-3.5%
Long products	457	423	8.0%	457	427	7.0%
Flat hot-rolled products	1,180	1,316	-10.3%	1,180	1,277	-7.6%
HVA products, of which:	1,095	1,073	2.0%	1,095	1,126	-2.8%
Thick plate (mill 5000)	267	213	25.4%	267	198	34.8%
Flat cold-rolled products	319	351	-9.1%	319	377	-15.4%
Downstream products, of which:	508	509	-0.2%	508	551	-7.8%
Tin plate	34	33	3.0%	34	37	-8.1%
Galvanised steel	311	315	-1.3%	311	330	-5.8%
Polymer-coated steel	81	73	11.0%	81	91	-11.0%
Band	28	28	0%	28	39	-28.2%
Formed section	40	42	-4.8%	40	40	0%
Pipes	14	18	-22.2%	14	14	0%
Shipments by market:						
Russia + CIS	2,442	2,187	11.7%	2,442	2,225	9.7%
Export	290	625	-53.6%	290	605	-52.1%

(USD / tonne)

	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
Average price per tonne:	578	579	-0.2%	578	647	-10.7%
Long products	480	507	-5.3%	480	566	-15.2%
Flat hot-rolled products	506	507	-0.2%	506	582	-13.1%
HVA products, of which:	698	697	0.1%	698	753	-7.3%
Thick plate (mill 5000)	712	646	10.2%	712	843	-15.5%
Flat cold-rolled products	579	606	-4.5%	579	628	-7.8%
Downstream products, of which:	765	780	-1.9%	765	805	-5.0%
Tin plate	777	778	-0.1%	777	833	-6.7%
Galvanised steel	742	759	-2.2%	742	771	-3.8%
Polymer-coated steel	916	967	-5.3%	916	965	-5.1%
Band	653	656	-0.5%	653	684	-4.5%
Formed section	779	787	-1.0%	779	851	-8.5%
Pipes	542	579	-6.4%	542	687	-21.1%

- ✓ Pig iron output in Q1 2019 decreased by 6.3% q-o-q. This was due to the beginning of the scheduled overhaul of the blast furnace No.7.
- ✓ At the same time, the volume of steel output in Q1 2019 remained flat q-o-q. The decrease in pig iron volumes was balanced by the higher share of metal scrap in burden.
- ✓ The volume of shipments in Q1 2019 decreased by 2.9% q-o-q, which is due to the scheduled repairs of rolling equipment, the formation of stocks of finished products in the Company's warehouses during the season of low business activity in the domestic market and due to calendar factor.
- ✓ In Q1 2019, the domestic market saw an increase in demand for steel products, associated with the beginning of the process of replenishment of stocks in the warehouses of traders, and with the

growth of orders from manufacturers of large diameter pipes. These trends allowed the Company to increase shipments to the domestic market by 11.7% q-o-q (up to 2,442 thousand tonnes), as a result, the share of shipments to the domestic market exceeded 89%.

- ✓ The volume of shipments of long products in Q1 2019 increased by 8.0% q-o-q and amounted to 457 thousand tonnes. This growth was due to the low base of Q4 2018, and the beginning of the process of formation of pre-season stocks of rolled products for construction purposes in the warehouses of the MMK Trading House.
- ✓ The volume of shipments of hot-rolled products for Q1 2019 decreased by 10.3% q-o-q, which was due to the beginning of the reconstruction of Mill 2500 under the current investment programme.
- ✓ The volume of shipments of HVA products for Q1 2019 increased by 2.0% q-o-q and amounted to 1,095 thousand tonnes. This growth is mainly due to the increase in the shipments of thick plate and high capacity utilisation rates of the equipment, producing downstream products.
- ✓ The decrease in the volume of shipments of cold-rolled products for Q1 2019 by 9.1% q-o-q is mainly due to a decrease in sales to automakers, who traditionally cut vehicles output at the beginning of the year.
- ✓ In Q1 2019, the volume of shipments of Mill 5000 products increased by more than 25% q-o-q and reached 267 thousand tonnes. This growth was associated with the start of supply of steel for the production of large diameter pipes as part of the implementation of large pipeline projects by Gazprom.
- ✓ The growth in the share of high-margin steel sheet for LDP production in the structure of Mill 5000 products and the decrease in export shipments allowed the Company to increase the average sales price for this type of product by more than 10% q-o-q.
- ✓ Despite the seasonally low demand for construction products, the volume of shipments of galvanized steel in Q1 2019 remained almost at the level of the previous quarter and shipments of rolled products with polymer coatings increased by 12.3%. This growth was due to the seasonal process of long-term storage stocks formation in the warehouses of the independent traders and traders, which are part of MMK Group.
- ✓ The average selling price, expressed in US dollars, for Q1 2019 remained almost unchanged from the level of the previous quarter and amounted to USD 578 per tonne. Maintaining the average price at a high level allowed a significant increase in the share of sales to the domestic market, characterized by a price premium to exports.

Lysvensky Metallurgical Plant

(thousand tonnes)

	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
Finished products, of which:	60	55	9.1%	60	46	30.4%
Electro-galvanised steel (automotive sheet)	1	2	-50.0%	1	3	-66.6%
Galvanised steel with polymer coating	56	51	9.8%	56	41	36.5%
Galvanised steel with decorative coating (SteelArt)	4	1	300.0%	4	3	33.3%

- ✓ Finished products output increased by 9.1% q-o-q in Q1 2019 and was due to the seasonal build-up of stocks on traders' warehouses before construction season beginning.
- ✓ Significant growth as compared to Q1 2018 was due to the preliminary formation of warehouse stocks of finished products in the end of 2018 (period of seasonally low business activity) and active sales of finished products over Spring, as well as the introduction of a programme to promote construction products, including SteelArt, in H2 2018.

Steel segment (Turkey)

(thousand tonnes)

	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
MMK Metalurji finished products, of which:	176	202	-12.9%	176	231	-23.8%
Flat hot-rolled products	7	2	250.0%	7	27	-74.1%
HVA products, of which:	169	199	-15.0%	169	204	-17.2%
Galvanised steel	129	157	-17.8%	129	148	-12.8%
Polymer-coated steel	39	43	-9.3%	39	56	-30.4%
MMK Metalurji finished products from MMK steel	136	132	3.0%	136	153	-11.1%

- ✓ Sales of commercial products for Q1 2019 amounted to 176 thousand tonnes, down 12.9% q-o-q mainly due to external headwinds and the challenging economic and political situation in Turkey. In this situation, buyers prefer to wait for more certainty in the market and not to force the purchase to ensure summer seasonal demand.
- ✓ In export markets, buyers also took a wait-and-see position, as there was high price volatility and uncertainty about the EU quotas for steel imports.
- ✓ The increased competition among coated steel producers forced the company to look for new niches and markets for steel products, uncommon in recent years, which have influenced the change in range and production volumes.

MMK Coal

(thousand tonnes)

	Q1 2019	Q4 2018	%	Q1 2019	Q1 2018	%
Coking coal mining	1,464	1,228	19.2%	1,464	865	69.2%
Coking coal processing	1,422	1,451	-2.0%	1,422	1,259	12.9%
Mined	1,403	1,362	3.0%	1,403	943	48.8%
Purchased	19	89	-78.6%	19	299	-93.6%
Toll	0	0		0	17	-100.0%
Coking coal concentrate	777	781	-0.5%	777	666	16.7%

- ✓ The volume of coking coal production in Q1 2019 increased by 19.2% q-o-q and amounted to 1,464 thousand tonnes. This increase is due to the completion of maintenance works in the previous quarter and work at full capacity at the beginning of the year.
- ✓ Higher coal production allowed the company to completely cut the need to buy coal from third parties. Thus, external coal purchases decreased by more than 15 times compared to Q1 2018.
- ✓ The volume of coal concentrate production in Q1 2019 remained almost at the level of the previous quarter.

Outlook

At the moment, the Company's management sees a consistently high demand for steel products in the domestic market, which should have a positive impact on the sales volumes of MMK Group's commercial products.

Recovery of steel prices from minimum levels at the beginning of the year and the maximum capacity utilisation of high-margin production units should support MMK Group's financial results in Q2 2019.

MMK is one of the world's largest steel producers and a leading Russian metals company. The company's operations in Russia include a large steel-producing unit encompassing the entire production chain, from the preparation of iron ore to downstream processing of rolled steel. MMK turns out a broad range of steel products with a predominant share of high-value-added products. In 2018, the company produced 12.7 mln tonnes of crude steel and 11.7 mln tonnes of commercial steel products. MMK Group had sales in 2018 of USD 8,214 mln and EBITDA of USD 2,418 mln.

Contacts

Investor Relations Department:

Andrey Serov

+7 3519 24-52-97

serov.ae@mmk.ru

Communications Department:

Dmitry Kuchumov

+7 499 238-26-13

kuchumov.do@mmk.ru

Dmitry Bulin

+7 499 238-26-13

bulin.dn@mmk.ru