



IFRS FINANCIAL RESULTS

FOR Q2 & H1 2020

29 JULY 2020

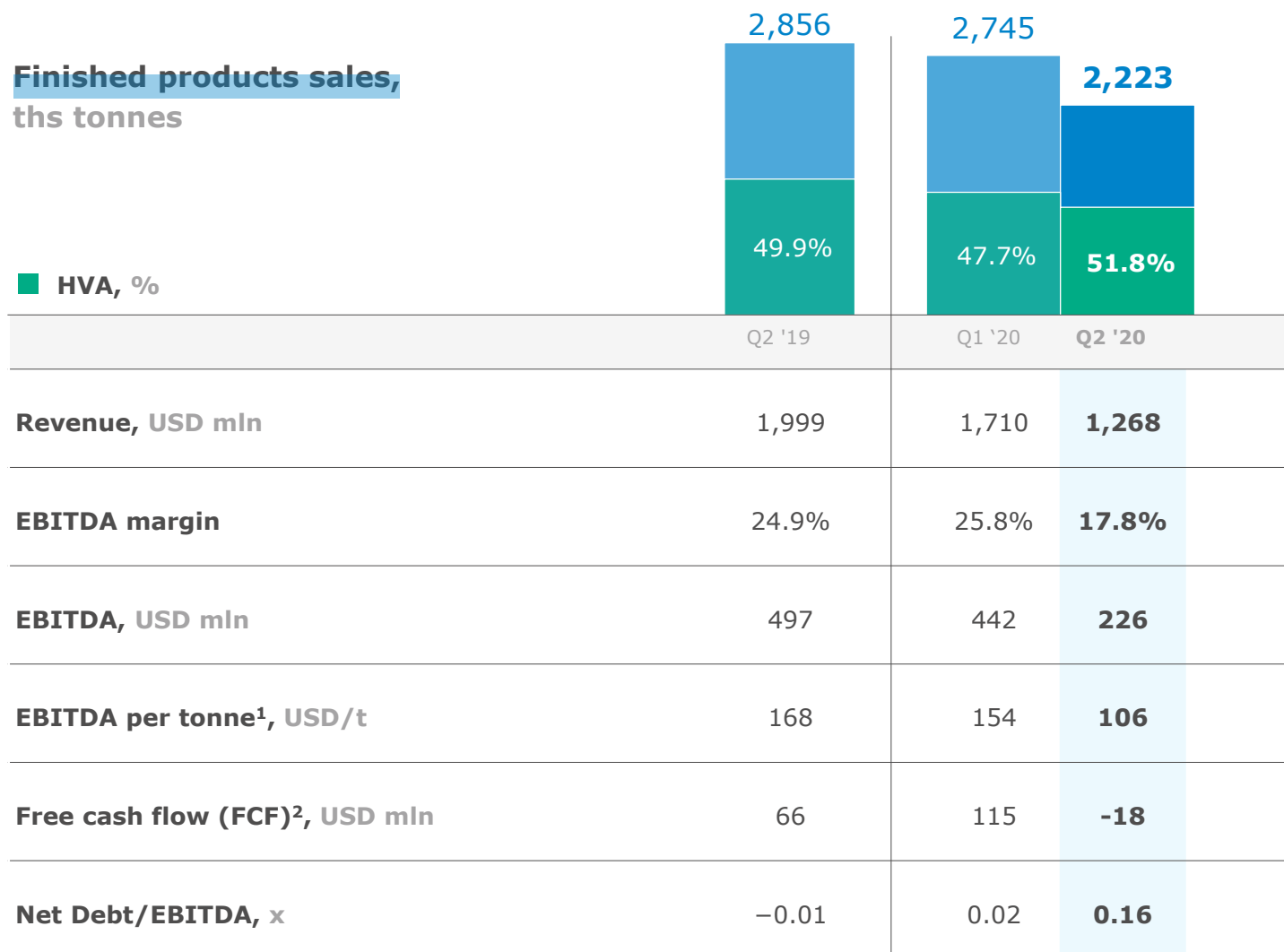
Magnitogorsk, Russia



Q2 2020

KEY HIGHLIGHTS

Finished products sales, thousands tonnes

Change quarter-on-quarter
(q-o-q)

Share of HVA products

+4.1 p.p.

EBITDA margin

-8.0 p.p.

EBITDA

-48.9%

FCF

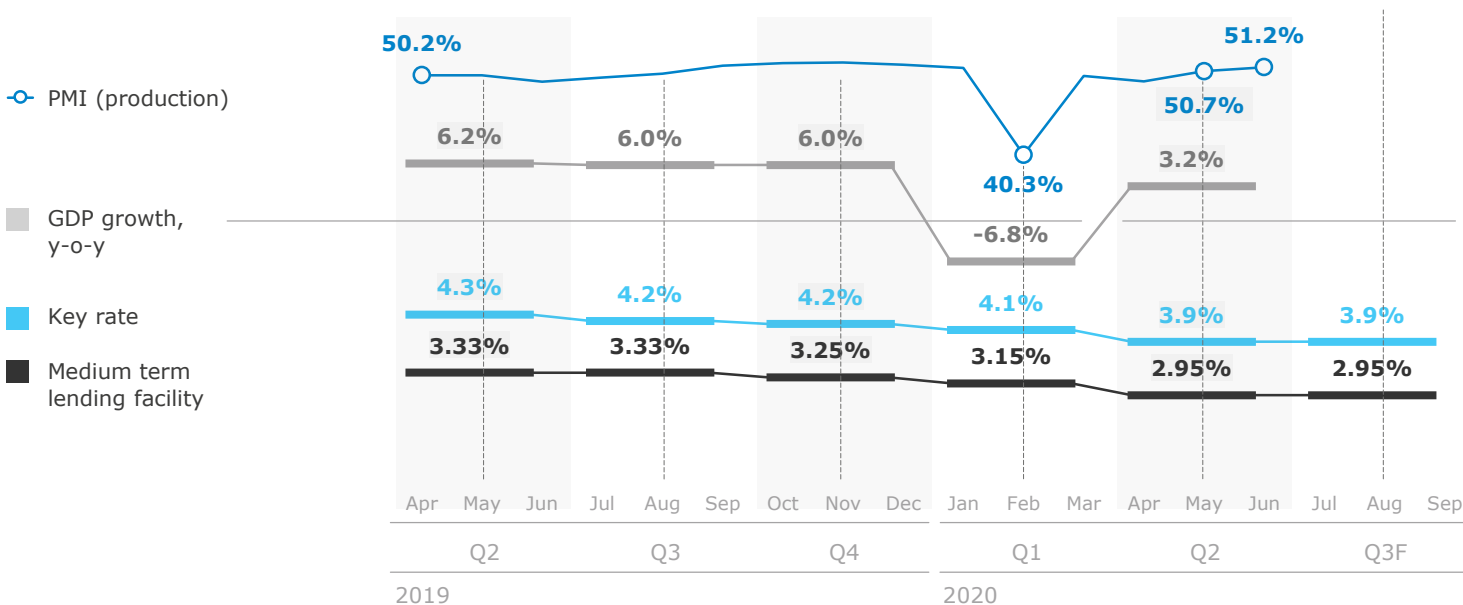
-USD 18 mln

MARKET OVERVIEW



Q2 2020

MACROECONOMIC ENVIRONMENT IN CHINA



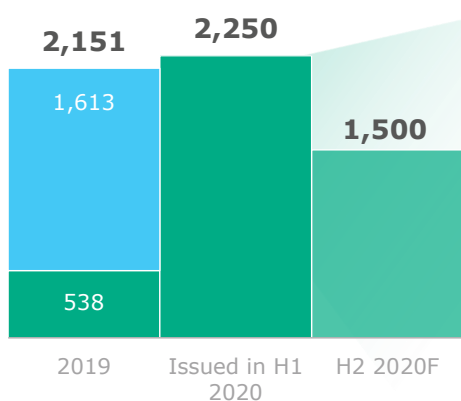
The lifting of lockdown measures in March 2020 provided the main impetus to a recovery in Chinese economic activity in Q2

The implementation of infrastructure projects funded by the proceeds from special bond placements has become a key lever for economic recovery

Special bonds issuance dynamics

RMB bn

■ Deployed on infrastructure
■ Other



RMB 3.8 bn planned to be invested in infrastructure projects in 2020

Projects sanctioned in H1 2020:

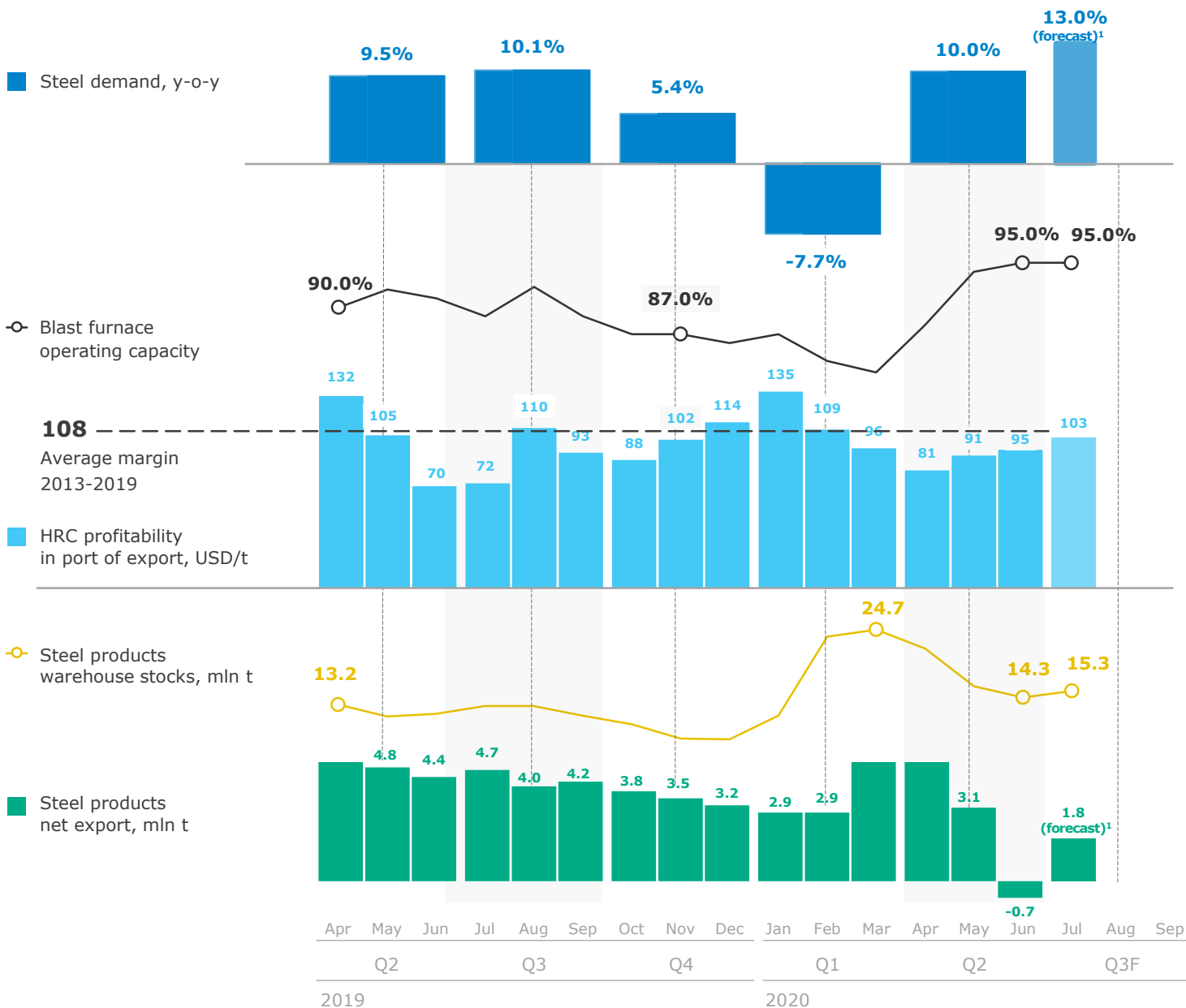
- 13 airports
- 19 railways and urban rail projects
- Another 12 railway projects are pending approval in Q3 2020

Steel consumption by the approved projects will total **23.8 mln tonnes** in 2020–2025

To support the national economy, a decision was taken in Q2 to channel all proceeds (**RMB 3.8 bn**) from the special bonds issues towards infrastructure projects (as compared to the previously approved **RMB 1.8 bn**)

Q2 2020

STEEL MARKET IN CHINA



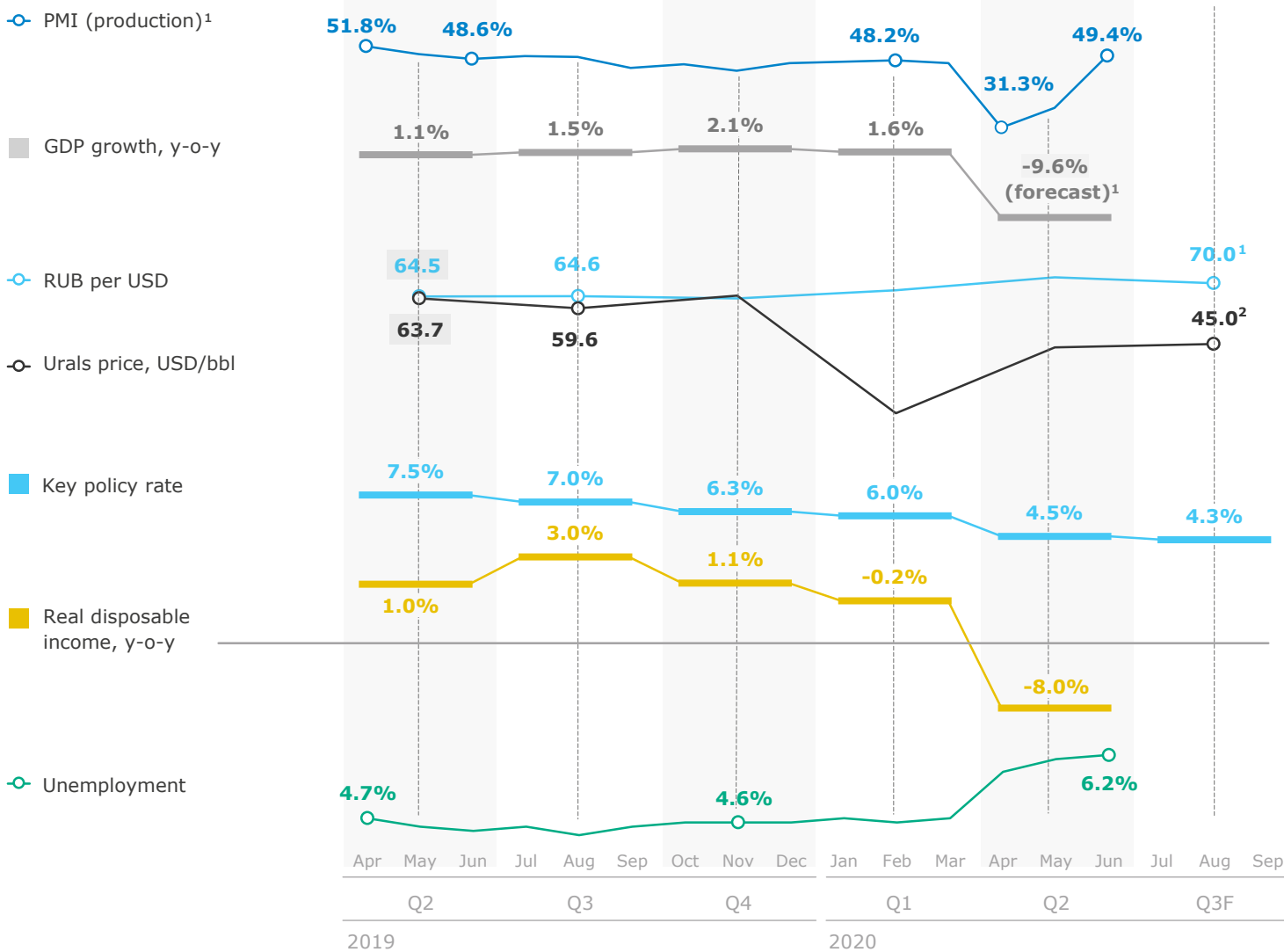
Pent-up demand for steel, coupled with government stimulus-led recovery, resulted in significantly higher apparent steel consumption in China...

...and major increases in blast furnace utilization rates amidst the rapidly dwindling steel product inventories

Net exports of Chinese steel products in Q2 were down to historical lows due to increased domestic demand coupled with higher domestic prices, which proved more attractive than export prices

Q2 2020

MACROECONOMIC ENVIRONMENT IN RUSSIA



The effects of the pandemic on the Russian economy were most felt in April and May, when restrictions were imposed on both businesses and movement of people

Despite the lifting of lockdown restrictions for most businesses in mid-May, a significant fall in real disposable income was recorded for Q2, along with a higher unemployment rate

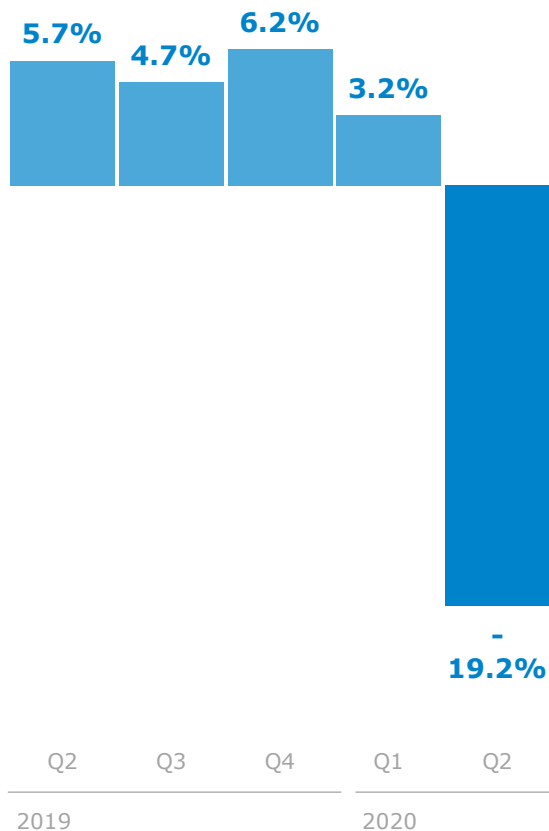
The measures taken by the government to soften monetary policy and bolster effective demand led the PMI to rebound to a pre-crisis level as early as June

Q2 2020

STEEL MARKET IN RUSSIA

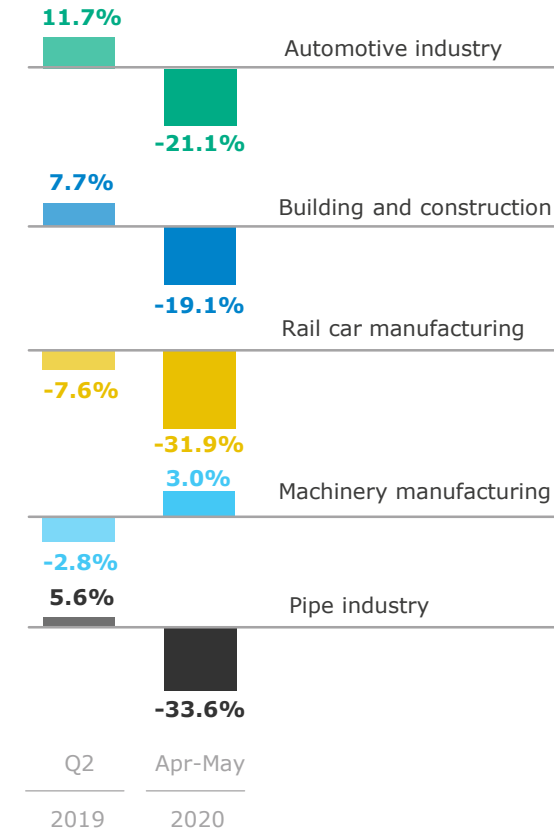
Demand for metal products decreased by 19.2% in Q2 amid restrictions on business activity in Russia due to pandemic outbreak

y-o-y



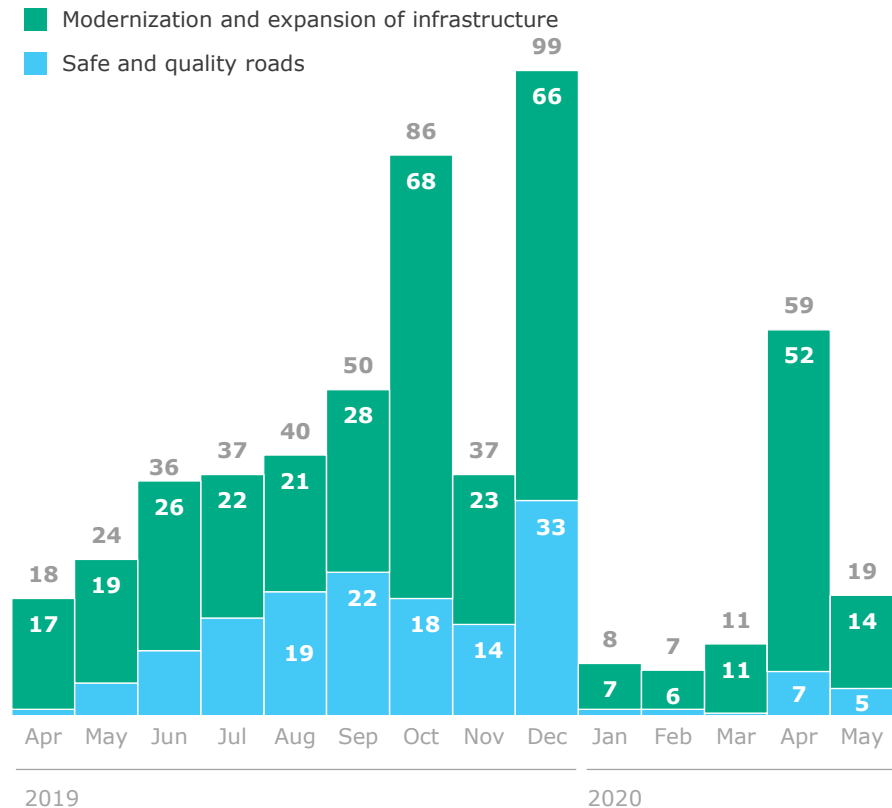
Almost all metal-consuming industries showed significant declines in steel consumption in April and May

y-o-y



At the same time, a significant increase in federal budget spending on national projects in April, in particular on infrastructure modernisation projects, helped prop up demand for steel products in Q2.

RUB bn

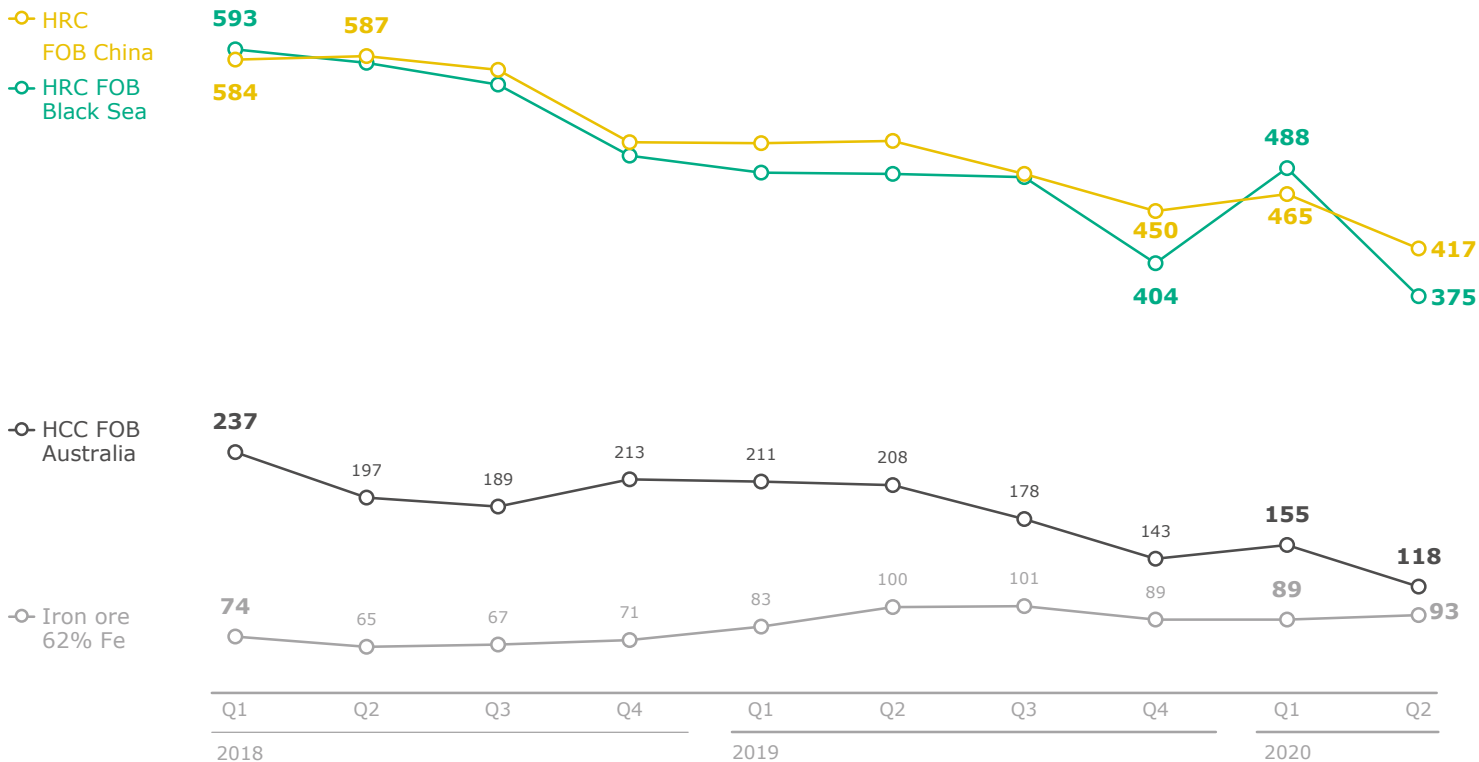


Q2 2020

PRICE DYNAMICS

Metal products and key raw materials price dynamics

USD/t



Hot-rolled steel

Recovery in China's domestic demand in Q2 amid growing support from the government has had a positive impact on Chinese metal product prices, which have been showing steady gains since mid-Q2. As a result, hot-rolled product prices in the Black Sea region picked up towards the end of Q2.

Coking coal

Global prices for coking coal showed significant declines in Q2, driven by plummeting steel capacity utilization rates across the globe and impacted by China's annual coal import quotas.

Iron ore

Iron ore prices were faring rather well in Q2, driven by growth in China's pig iron and steel output. They were further supported by declines in Brazil's iron ore exports due to bad weather and production restrictions imposed at some plants to curb the spread of coronavirus.

OPERATIONAL RESULTS



Q2 2020

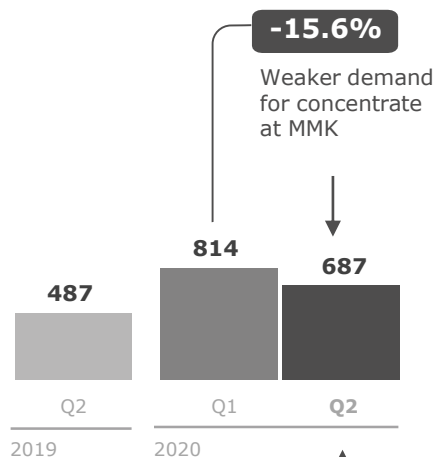
HIGH CAPACITY UTILIZATION OF HIGH-MARGIN PRODUCTION UNITS

Key production indicators

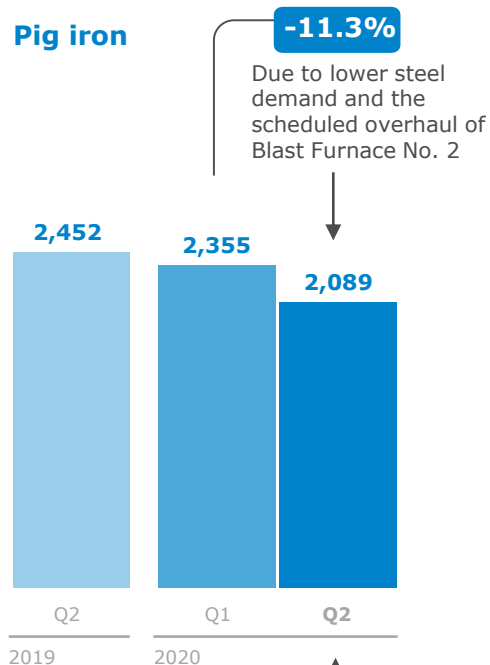
→ Quarterly dynamics 2018-2020

ths tonnes

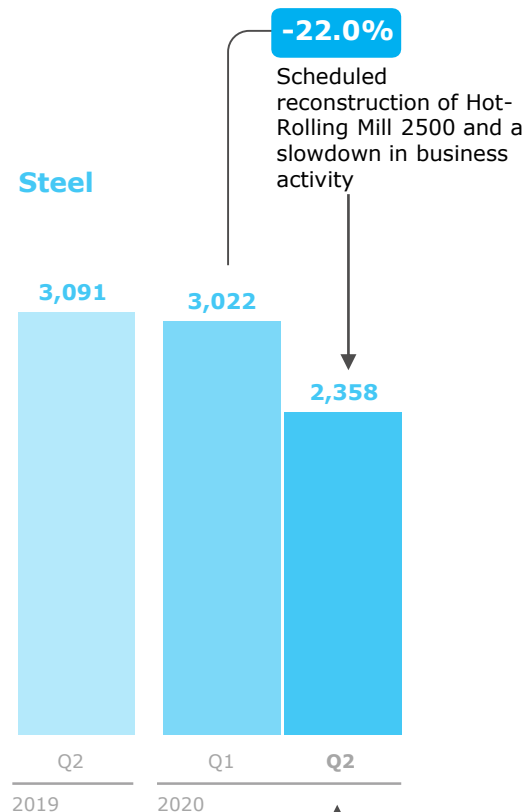
Coking coal concentrate



Pig iron

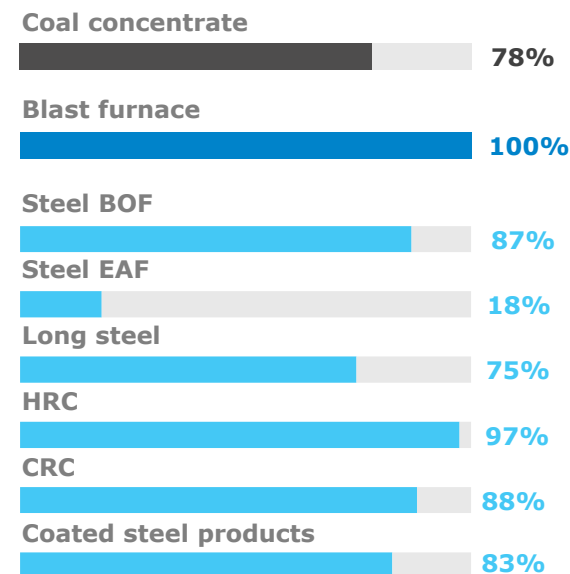


Steel



Key capacity utilization rates

Q2 2020, %



High-margin production facility utilisation rates remain high

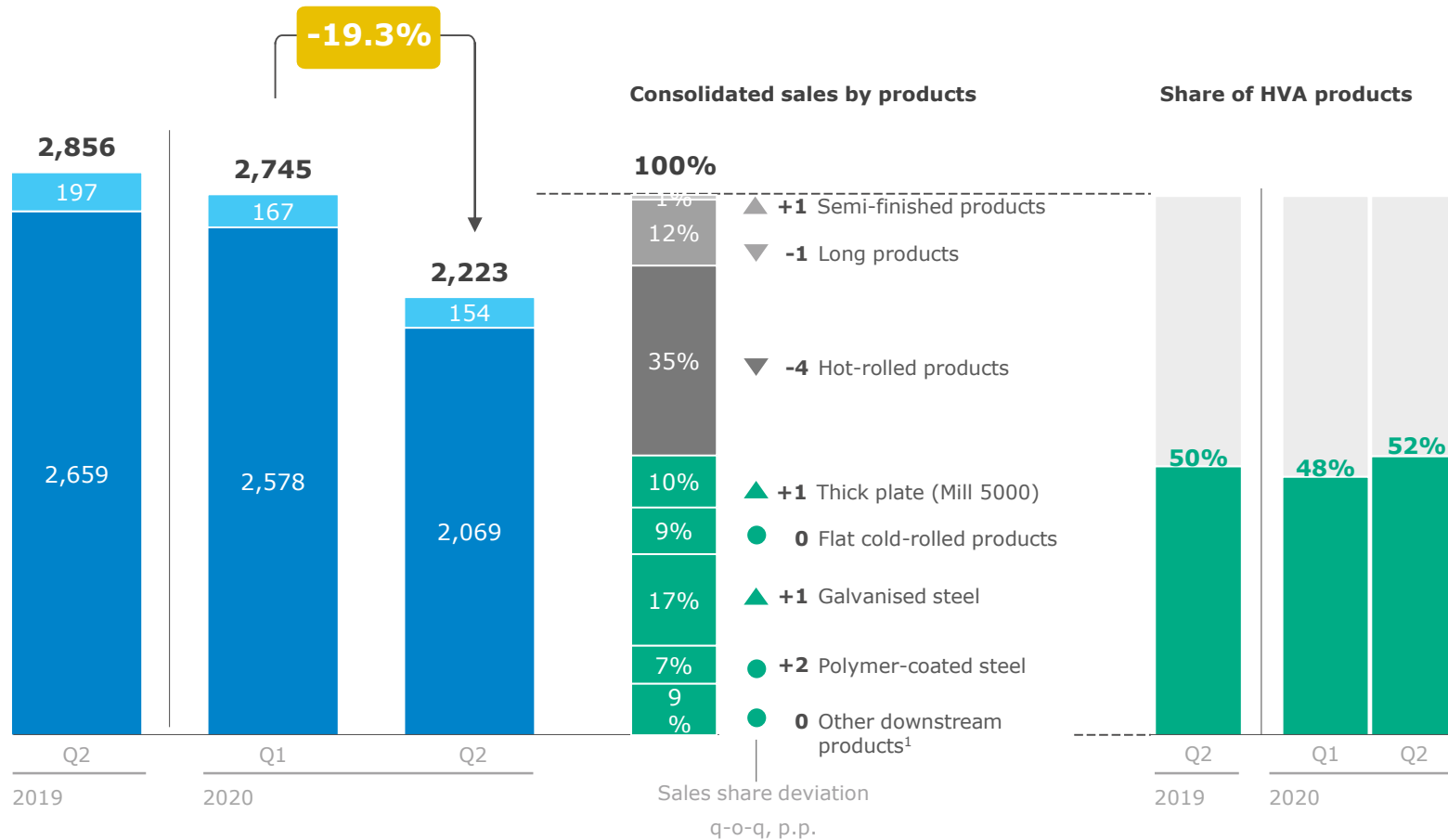
Q2 2020

FINISHED PRODUCT SALES

MMK Group finished product sales dynamics

ths tonnes

- Steel Turkey
- Steel Russia



Consolidated sales declined by 19.3% q-o-q due to the scheduled reconstruction of Hot-Rolling Mill 2500 and a slowdown in business activity.

The share of HVA product sales grew by 4.1 p.p. q-o-q.

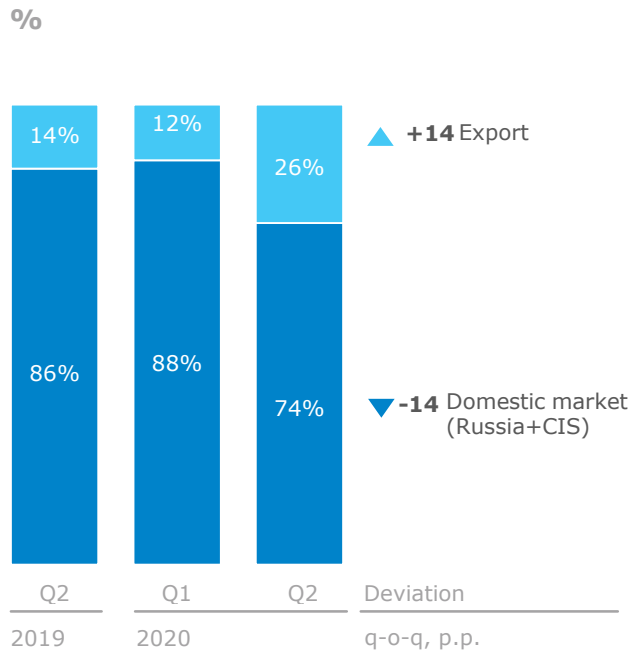
Source: Company data and analysis.

Notes: (1) Including: tin plate, band, formed section, pipes, metalware and other metal products

Q2 2020

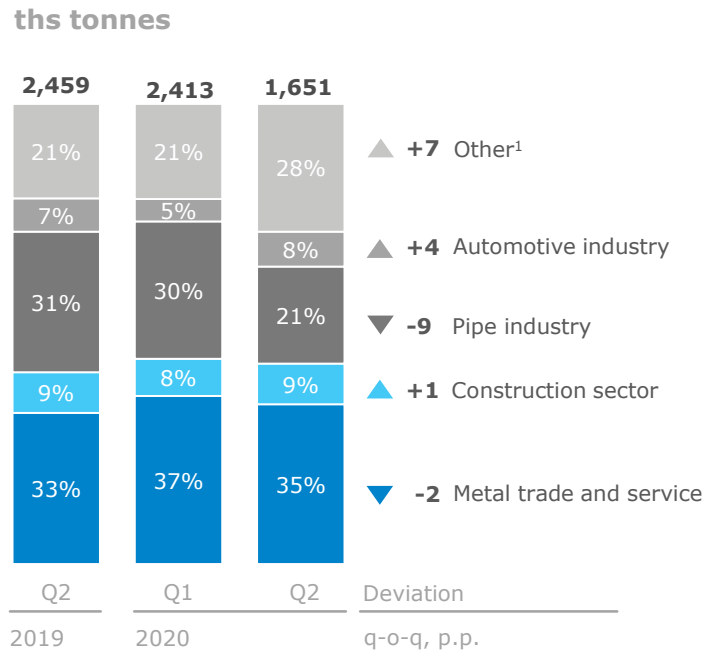
THE DOMESTIC MARKET AND EXPORT SALES BREAKDOWN

MMK Group's sale share by market



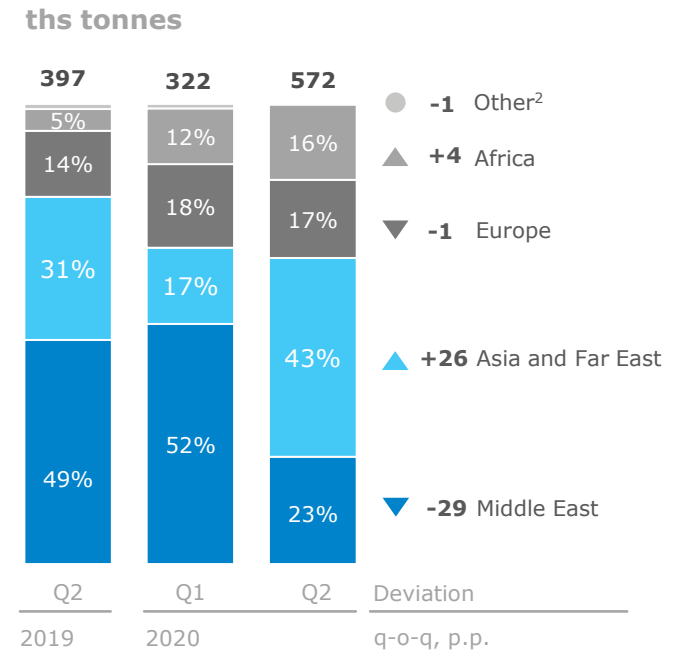
The decline in domestic sales to 74% in Q2 2020 was caused by a slowdown in business activity in the Russian and CIS market...

Russia and CIS market sales by sector



...which could mainly be seen in the metals trading, pipe and construction industries.

International market sales by region



Amid a deteriorating market environment in Q2 2020, there was a growth in export shipments to Asia, Africa and Europe.

FINANCIAL RESULTS

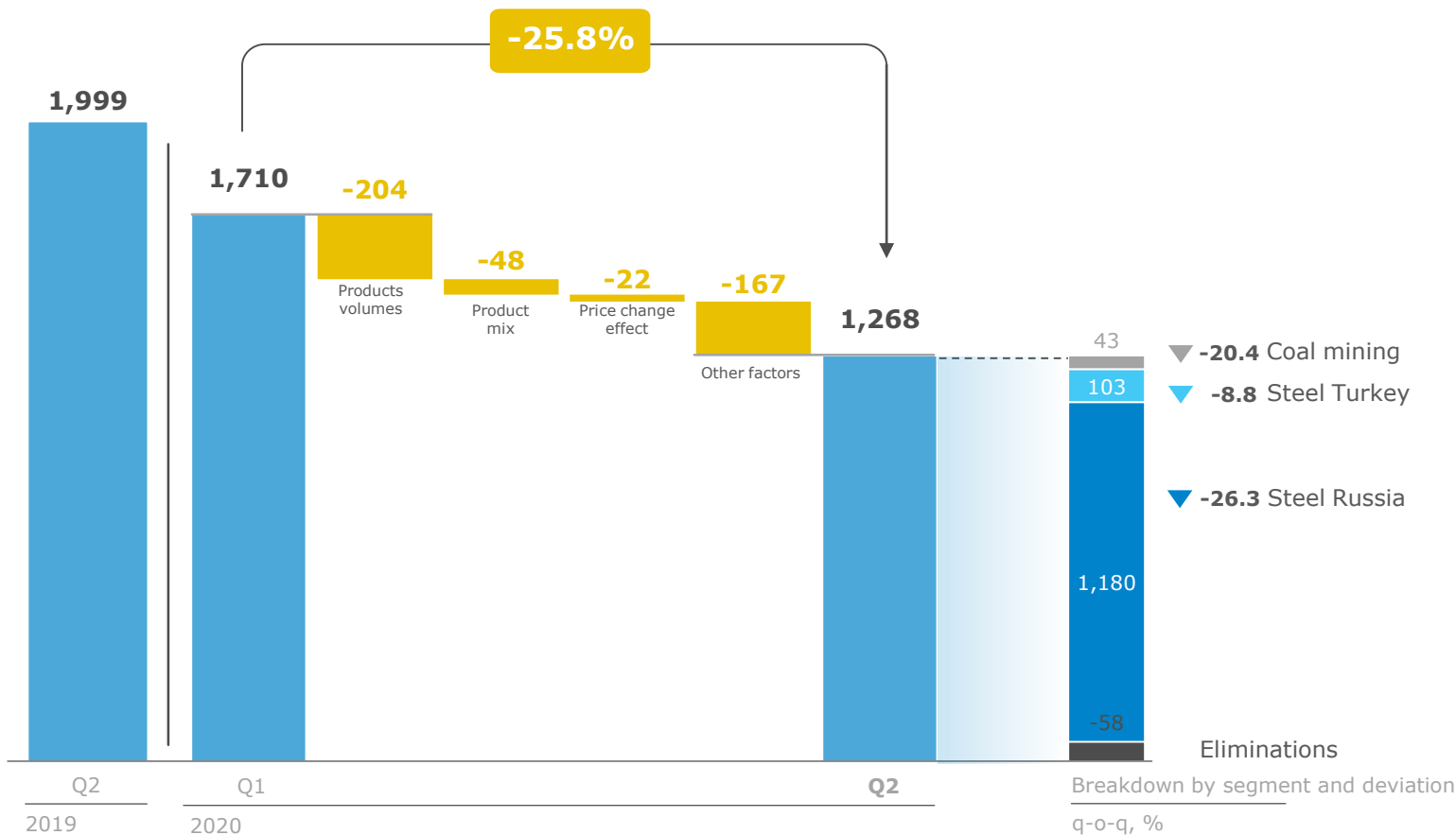


Q2 2020

REVENUE

Key revenue drivers

q-o-q, USD mln



The Russian steel segment's revenue dropped by

-26.3%

resulting from a decrease in sales volumes amid the scheduled reconstruction of Hot-Rolling Mill 2500 and the decline in global steel prices

The Turkish steel segment's revenue decreased by

-8.8%

reflecting the slowdown in business activity in the Republic of Turkey on the back of the pandemic

The coal mining segment's revenue decreased by

-20.4%

due to lower demand for coking coal concentrate at MMK and the continued correction in coal concentrate prices

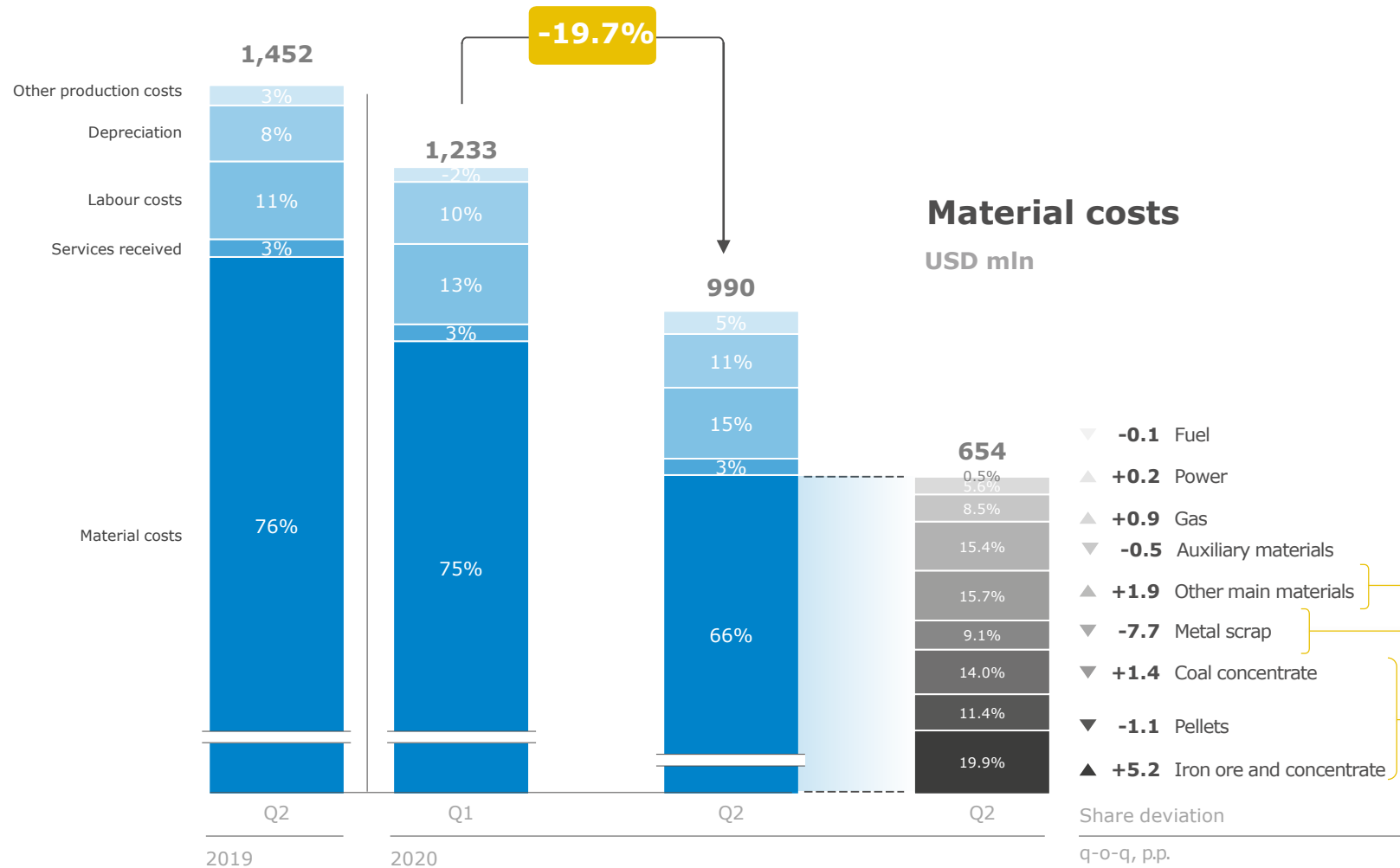
→ Historical dynamics 2018 – Q2 2020

Q2 2020

COST OF SALES

MMK Group's cost of sales

USD mln



Material costs

USD mln

- ▼ -0.1 Fuel
- ▲ +0.2 Power
- ▲ +0.9 Gas
- ▼ -0.5 Auxiliary materials
- ▲ +1.9 Other main materials
- ▼ -7.7 Metal scrap
- ▼ +1.4 Coal concentrate
- ▼ -1.1 Pellets
- ▲ +5.2 Iron ore and concentrate

Share deviation

q-o-q, p.p.

-USD 243 mln

MMK Group's cost of sales decreased due to a decline in sales, the correction in coal concentrate prices, improvements to the cost of sales structure and rouble devaluation

The share of other materials has increased,

driven by a rise in the share of galvanised and polymer-coated steel in total sales

Decrease in the scrap share amid a lower EAF utilisation rate

Increase in the share of blast furnace charge

due to a higher share of pig iron in the charge

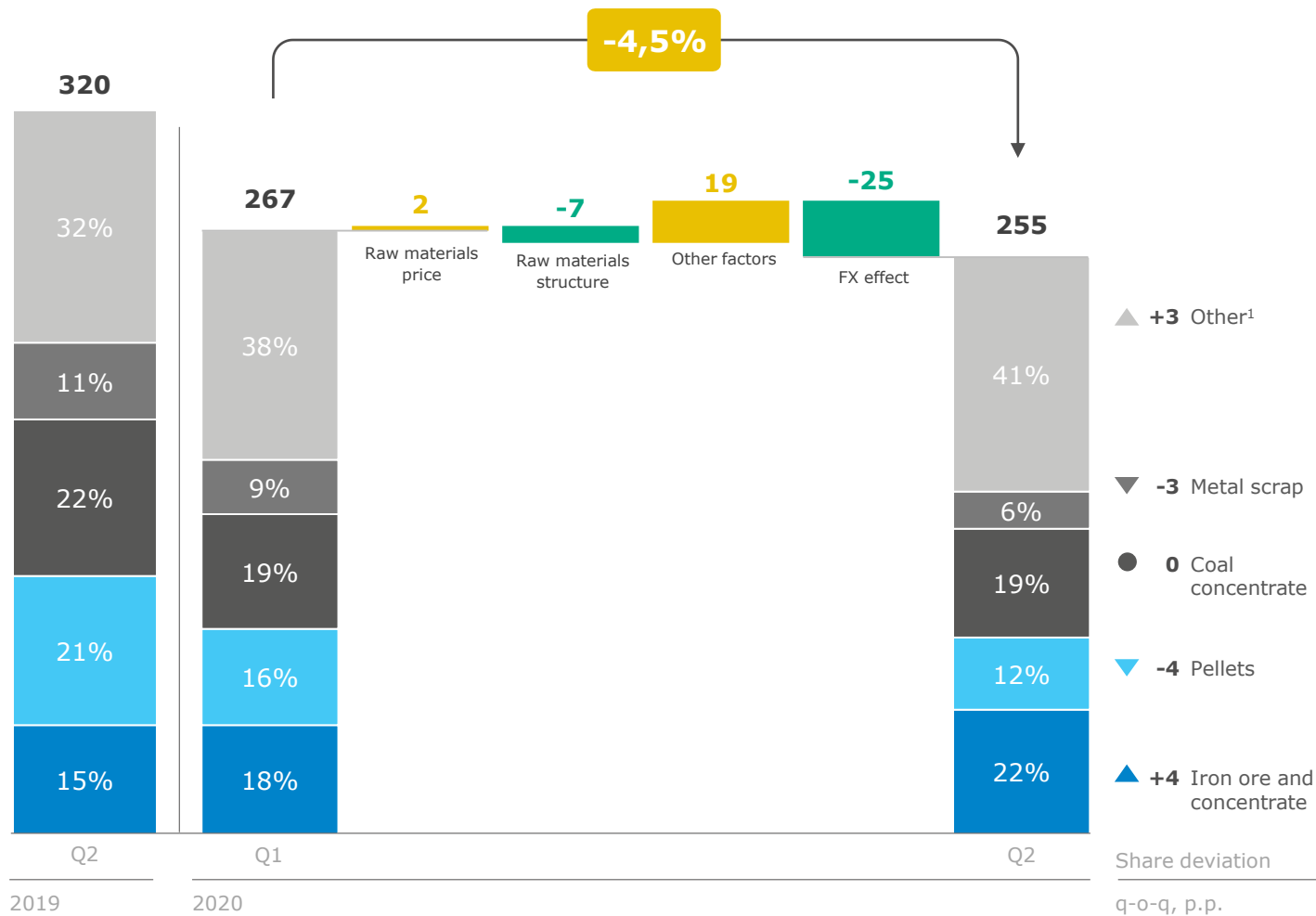
→ Cost allocation

Q2 2020

SLAB CASH-COST

Slab cash-cost,

q-o-q, USD/t



Slab cash-cost
declined q-o-q

-12 USD/t

-7 USD/t

Decrease in the share of scrap in the charge amid lower EAF utilisation

0 USD/t

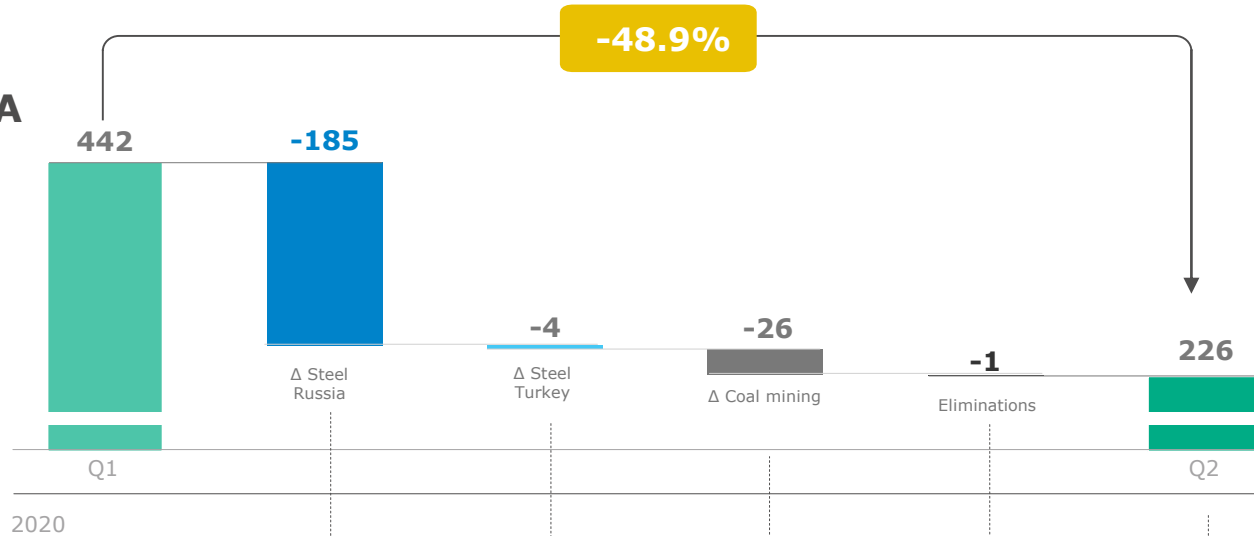
Decrease in coal concentrate prices and in the share of pellets in the blast furnace charge, increase in iron ore prices

→ Historical dynamics 2017-2020

Q2 2020

EBITDA

Key EBITDA drivers

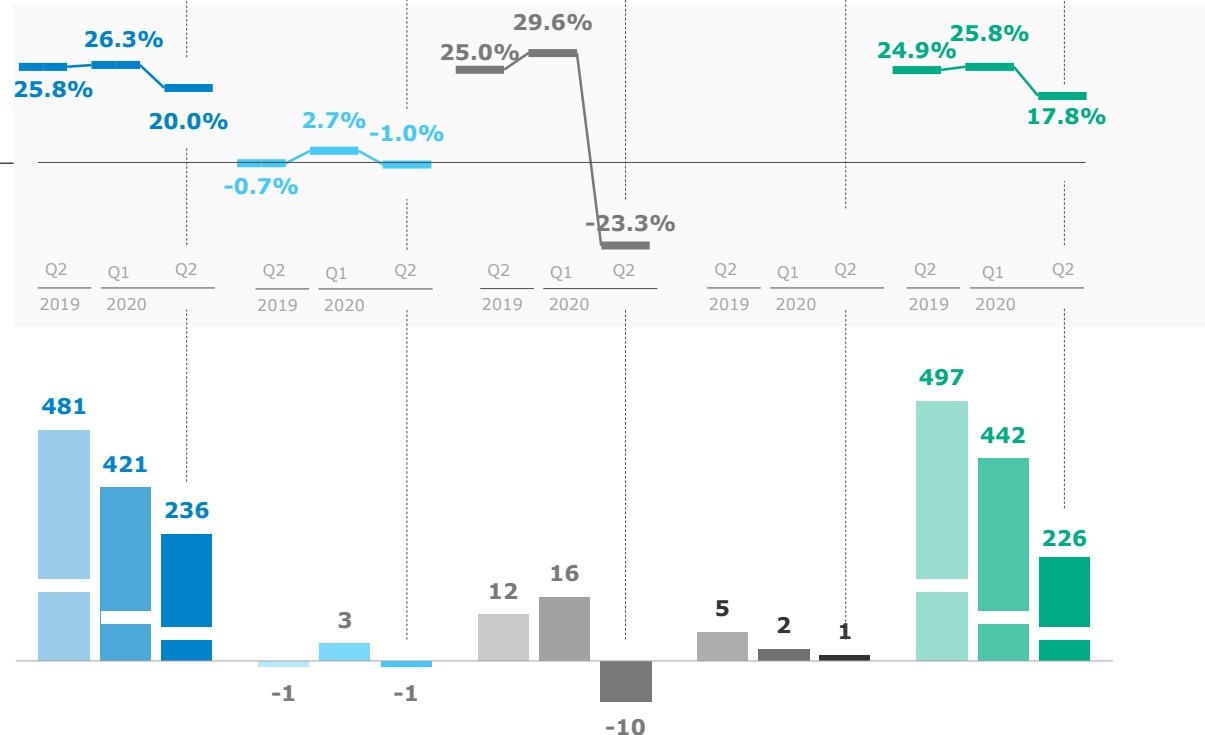
q-o-q,
USD mln

EBITDA by key segment

USD mln

EBITDA margin

- Steel Russia
- Steel Turkey
- Coal mining
- Eliminations
- MMK Group



Key changes

- Sales volumes
- Sales mix
- Finished products prices

Steel Russia

- ▼ **A decline in sales volumes** due to the reconstruction of Hot-Rolling Mill 2500 and a slowdown in business activity
- ▼ **Lower share** of domestic sales
- ▼ **Lower prices** amid adverse market conditions and an increase in the share of exports

Steel Turkey

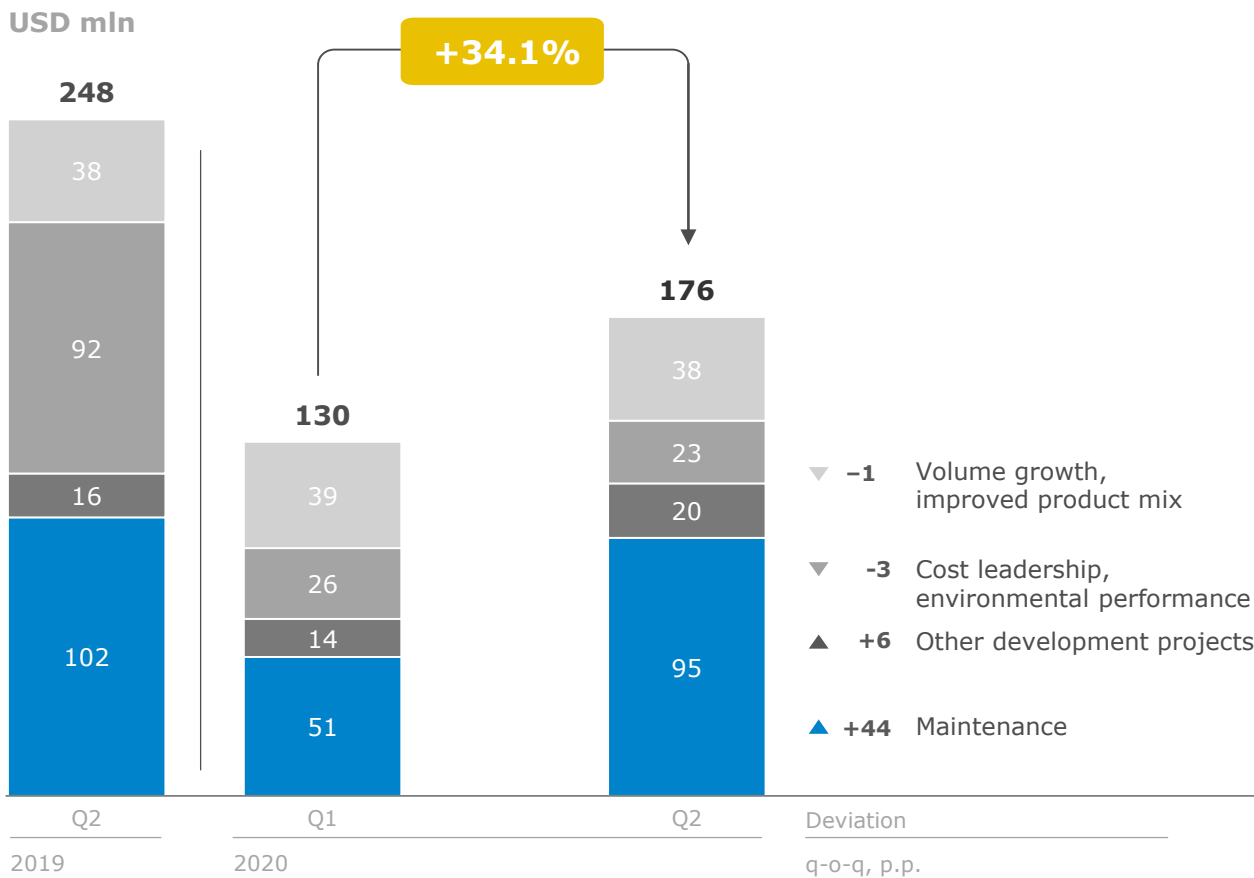
- ▼ **Lower sales volumes** due to sluggish business activity amid the COVID-19 pandemic
- Galvanised and polymer-coated steel account for **98%** of sales
- ▼ **Lower prices** in the Turkish domestic market

Coal mining

- ▼ **Decrease in sales volumes** amid lower demand for concentrate at MMK
- ▼ Continuing **correction in coal concentrate prices** in the Russian market
- ▼ **One-off factor** such as the accrual of provision

Q2 2020

CAPEX BREAKDOWN



→ Historical dynamics 2011 – Q2 2020

Source: Company data and analysis

Q-o-q increase in CAPEX

+34.1%

in line with the Group's investment programme schedule under the Group's strategy

Q2 2020 highlights

Cost leadership and environmental performance:

- Capital overhaul of Blast Furnace No. 2 and Basic Oxygen Furnace No. 2
- New coke and by-product plant: Coke-Oven Battery No. 12, by-product recovery and processing shop, biochemical plant

Volume growth, improved product mix

- Reconstruction of Hot-Rolling Mill 2500

Q2 2020

KEY PROJECTS

Blast furnace #2



Production capacity 3,900 tonnes per day,
Dust emission reduction 250 tonnes per year

Expected impact

+10 USD mln
to EBITDA²

The project initiation

August 2020³

Done in Q2 2020

Overhaul and installation of dust exhausting
units at cast and stock houses

Hot rolling Mill 2500 reconstruction



+0.8 mln t effective addition of HRC¹,
quality improvement and product portfolio
expansion

+103 USD mln
to EBITDA²

July 2020

Installed core equipment and an automated
process control system; launched preparations for
pre-commissioning. The mill was commissioned in
July.

Coke and by-product plant



Replacement of 5 batteries,
reduced consumption of coal concentrate
and natural gas

-29 USD/tonne
on slab cash cost

2021-2022

Site preparation, including the construction of
the foundations and pile field

Source: Company data and analysis

Note: (1) Hot rolling Mill 2500 full capacity is 5.2 mln tonnes, +1.5 mln tonnes after reconstruction. (2) The average annual impact based on estimates in the current macroeconomic situation.

(3) Blast furnace No. 2 will reach its full capacity.

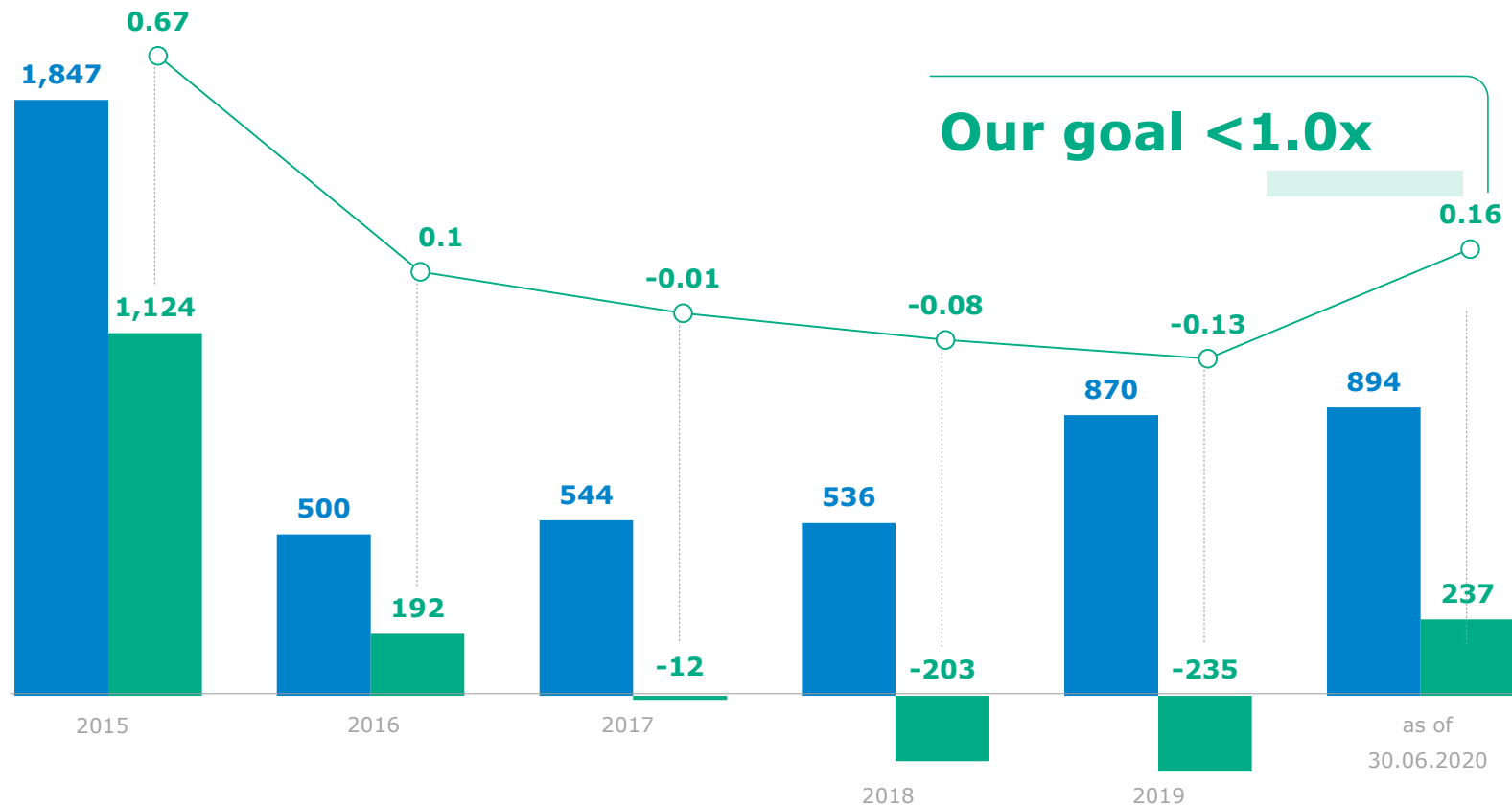
Q2 2020

DEBT BURDEN AND CREDIT RATINGS

Strong financial profile

USD mln

■ Debt ■ Net Debt ○ Net Debt / EBITDA



Credit rating at or higher than the sovereign rating

Standard & Poor's

BBB-

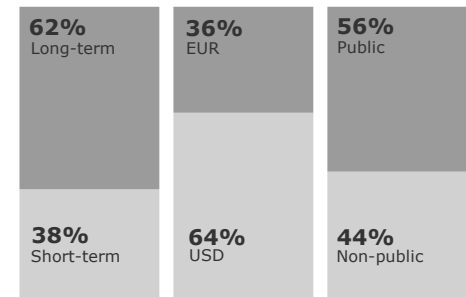
Moody's

BAA2

Fitch Group

BBB

Debt structure

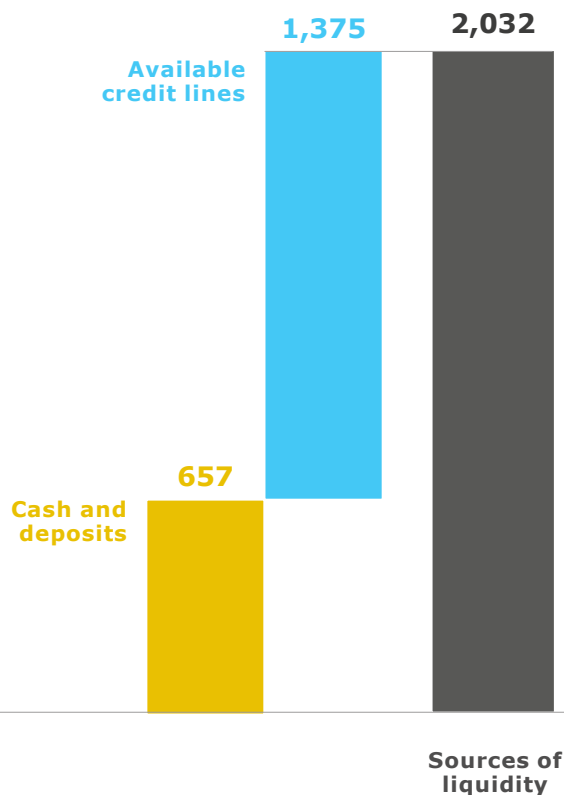


Q2 2020

CREDIT PORTFOLIO AND REPAYMENT SCHEDULE

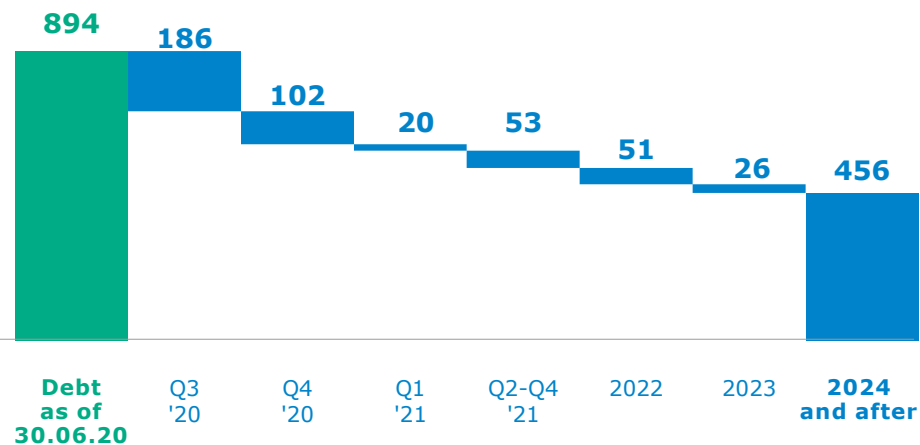
Available liquidity analysis

USD mln



Debt repayment schedule

USD mln

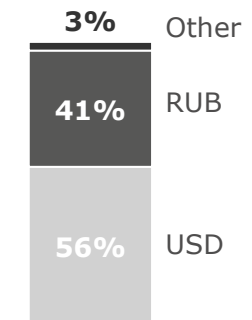


2.81%

average cost of debt
as of 30.06.2020

Significant liquidity cushion
and a comfortable
repayment schedule

Cash and deposits structure

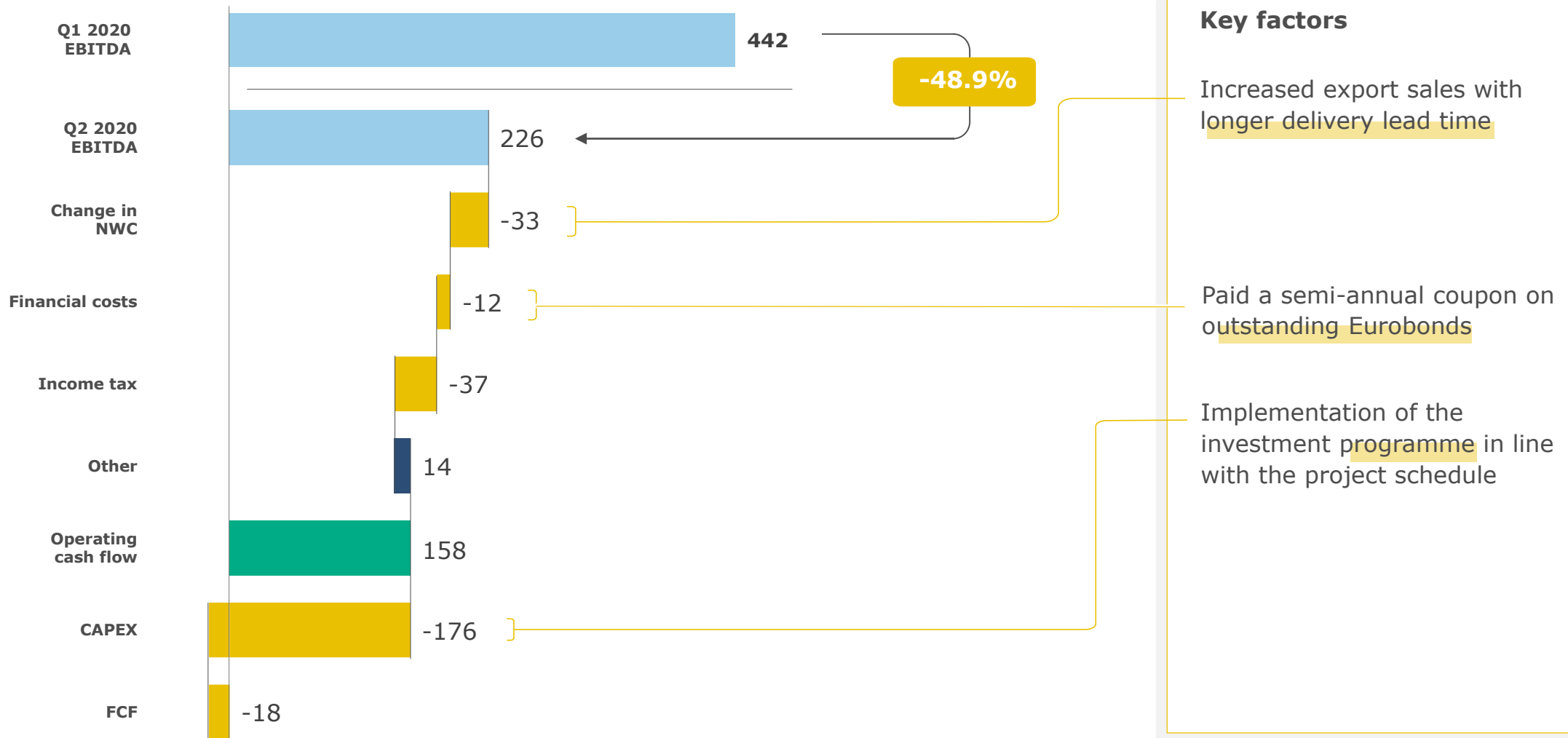


Q2 2020

FREE CASH FLOW

Free cash flow structure

USD mln

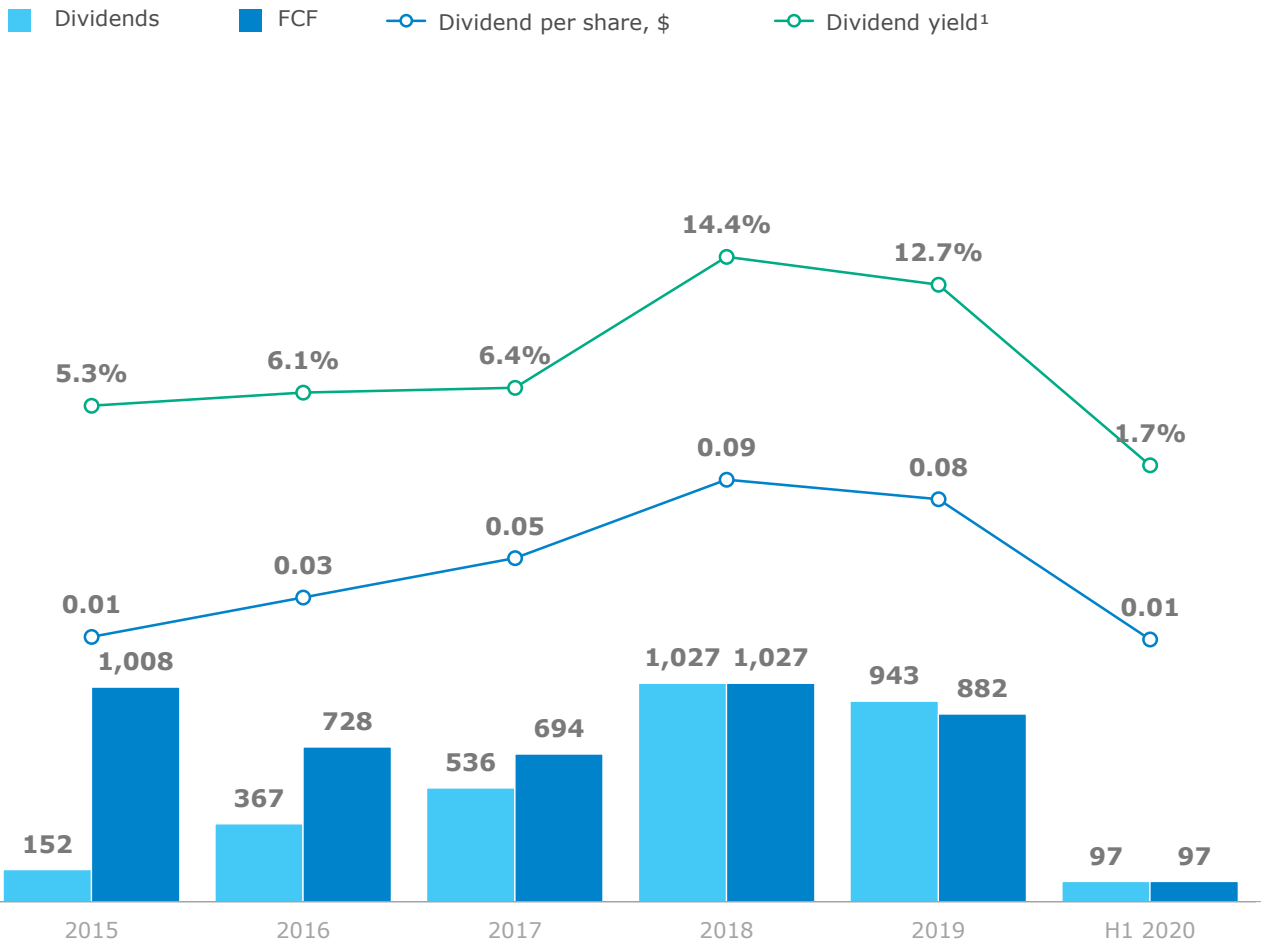


Q2 2020

DIVIDENDS

Dividends payout dynamics

USD mln



Considering the fact that the targets set by the Chairman of the Board of Directors have been achieved over 6M 2020, coupled with our confidence in gradual business recovery in Russia and globally, the Board of Directors is convinced that the Group sits in a stable position and can recommend the shareholders to approve the payment of a dividend of RUB 0.607 per share (100% of FCF for the six months) for 1H 2020.

The Board of Directors has proposed to set the 1H 2020 dividend record date for the close of business on 23 September 2020.

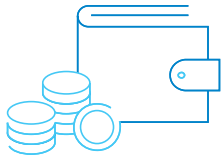
OUTLOOK

Q3 2020



Finished products output

The recovery of domestic demand that emerged in late Q2 will continue into Q3 2020. The launch of Hot-Rolling Mill 2500 in mid-July following its reconstruction, started in Q1, will increase the Group's hot-rolled production capacity and boost Q3 sales volumes.



Steel products prices

The recovery of hot-rolled coil prices in the Black Sea region in late Q2 will have a positive impact on domestic prices for metal products.



Capital expenditures

Expected to be slightly higher q-o-q due to the postponement of the launch of Hot-Rolling Mill 2500 and the ongoing construction of the foundations for a new coke oven battery. All projects are implemented as part of the Group's strategy and are aimed at improving both operational and environmental performance.

The Group's performance will be further boosted by:

- Operational excellence initiatives under the Evolution Business System;
- High capacity utilisation of high-margin production units.

APPENDIX



HISTORICAL DYNAMICS

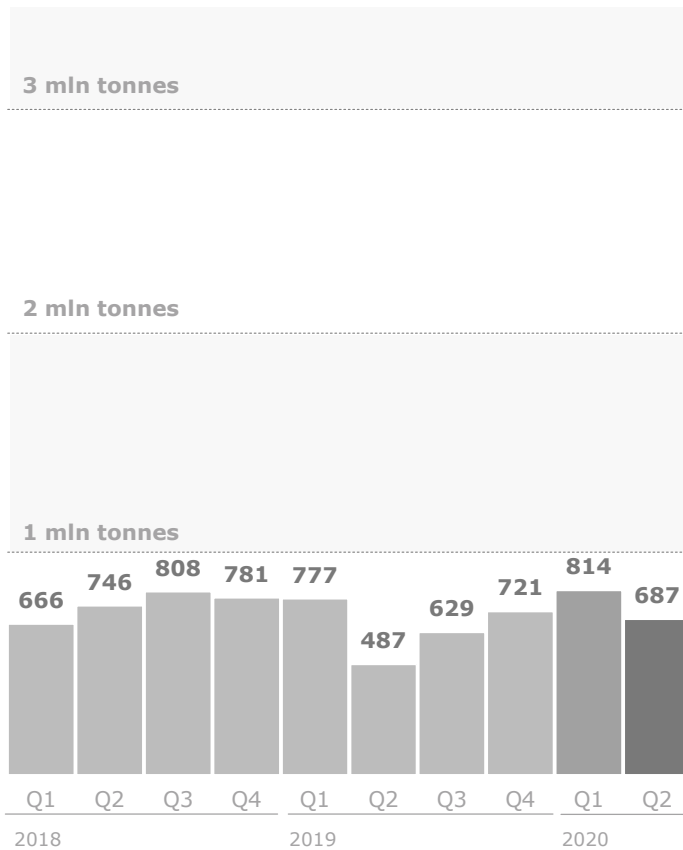
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KEY PRODUCTION HIGHLIGHTS

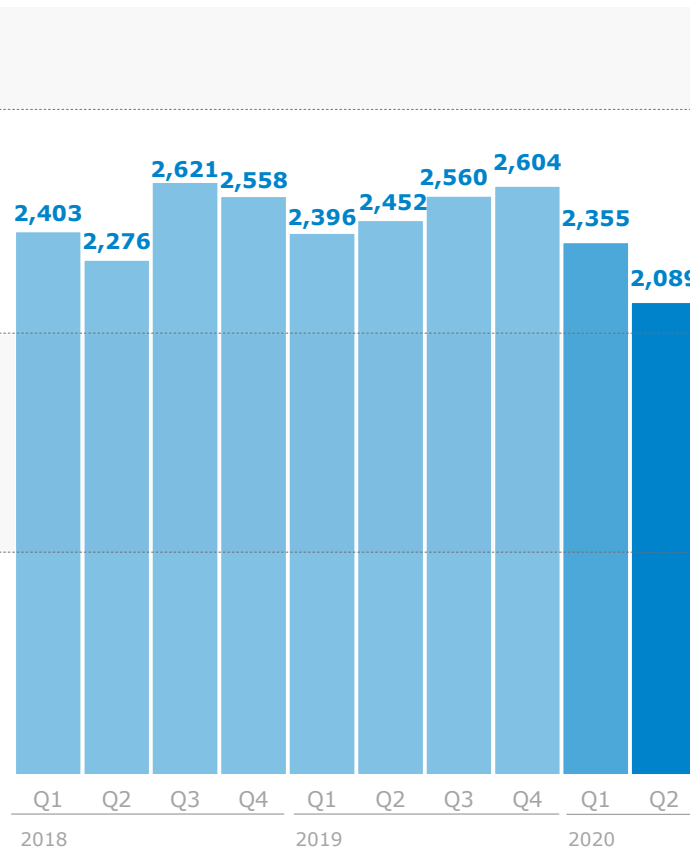
2018-2020 quarter dynamics

ths tonnes

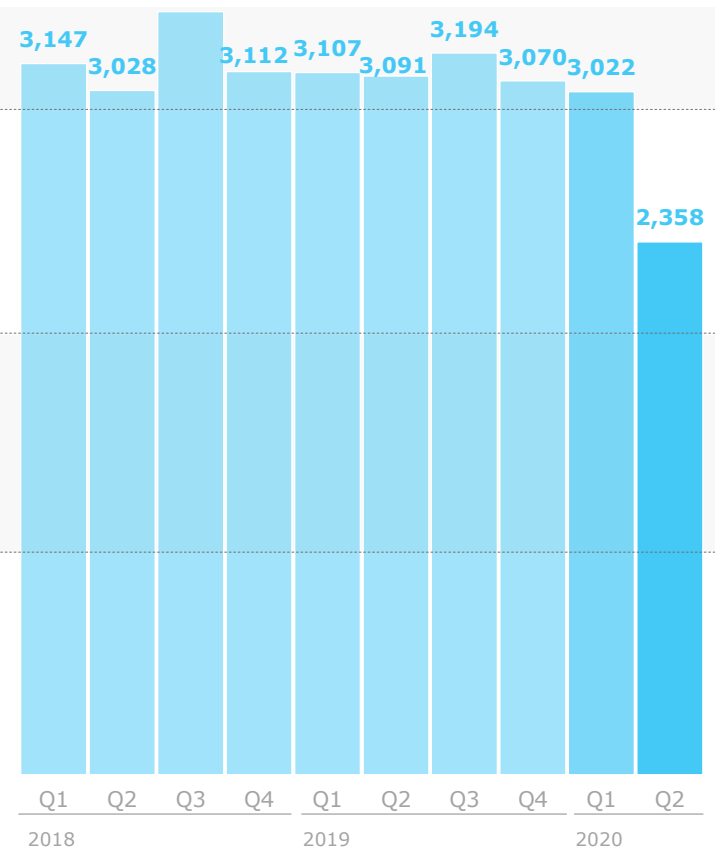
Coal concentrate



Pig iron



Steel



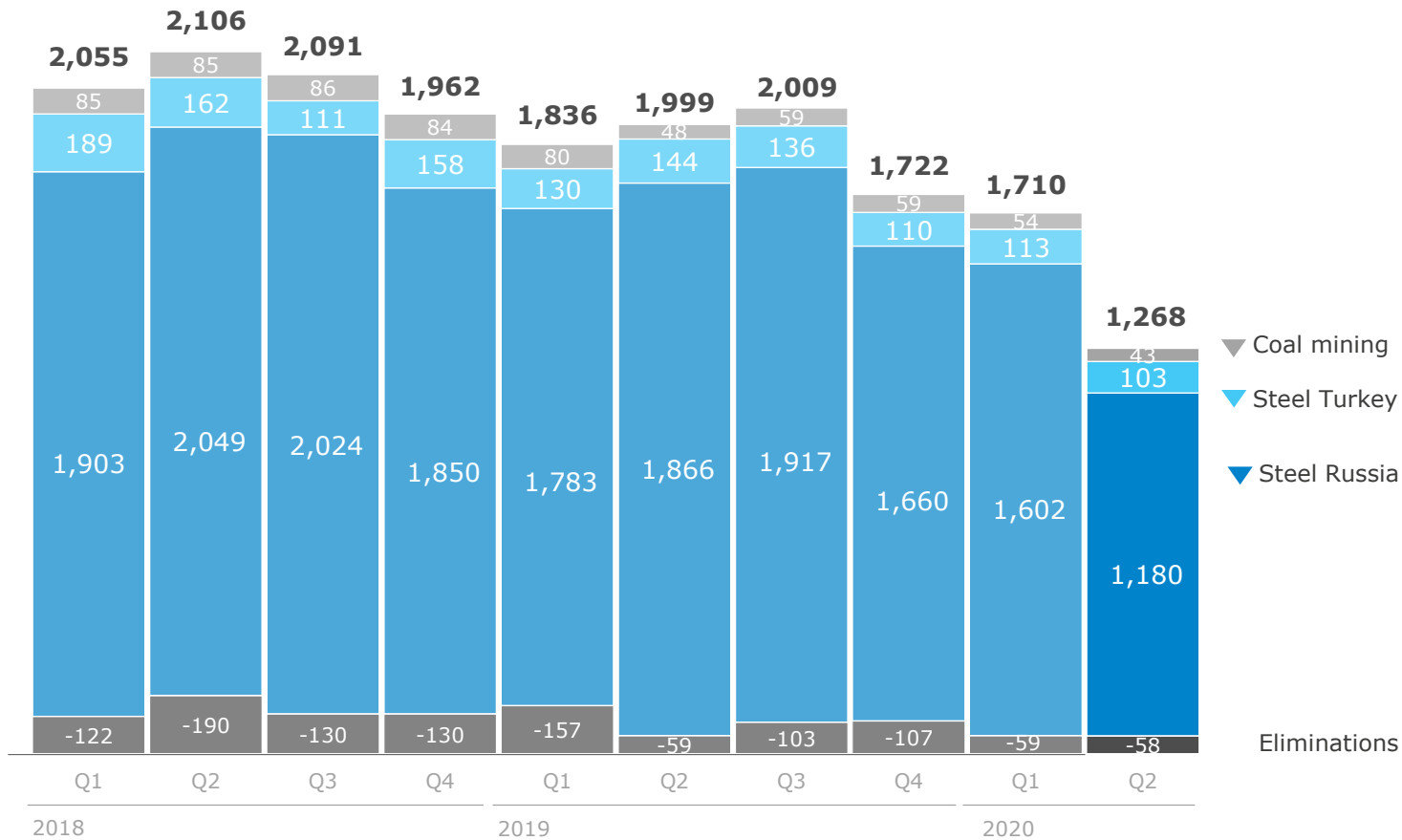
Q2 2020

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REVENUE

MMK Group revenue breakdown by segments

USD mln



HISTORICAL DYNAMICS

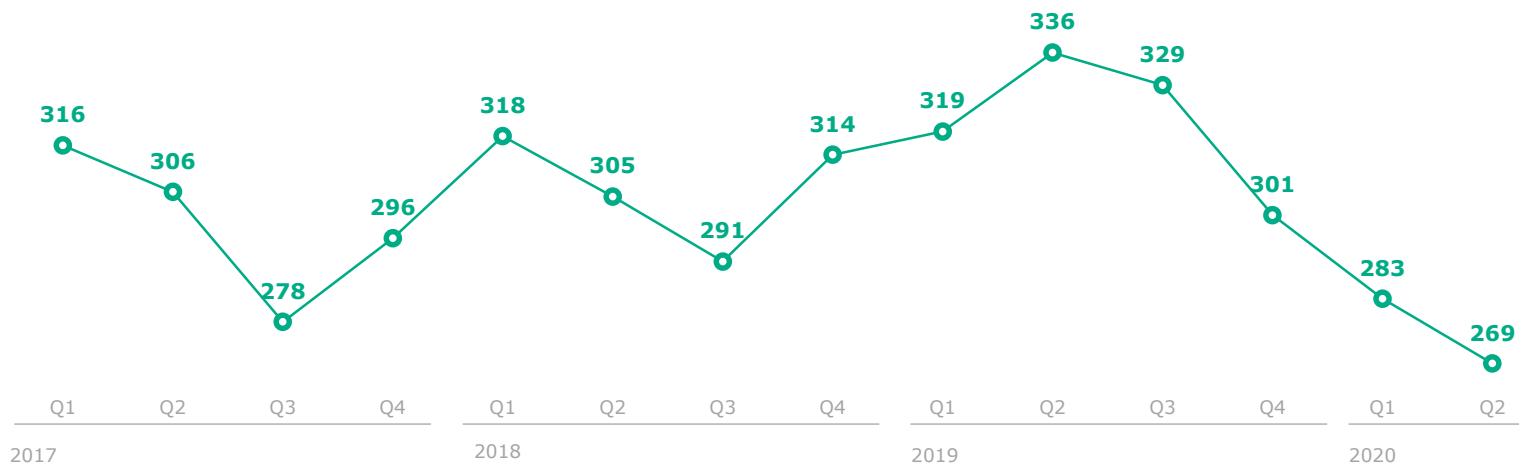
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SLAB CASH-COST

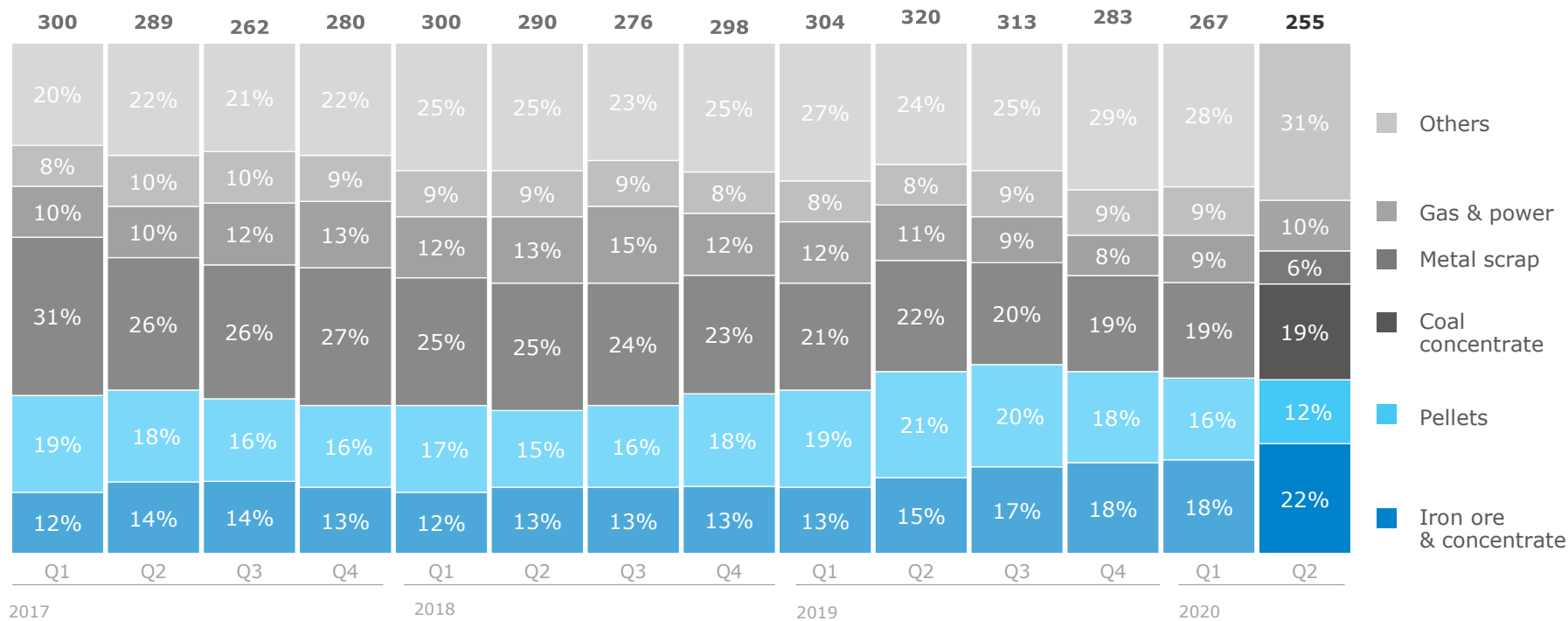
Cash-cost historical dynamics

USD/t

—●— HRC



Slab cash-cost historical dynamics and structure



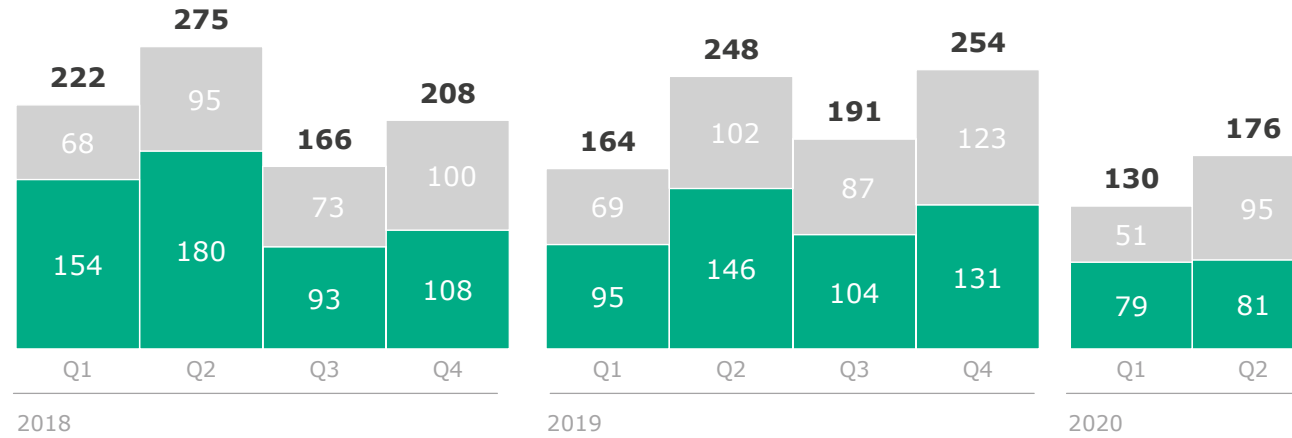
HISTORICAL DYNAMICS

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CAPITAL EXPENDITURES

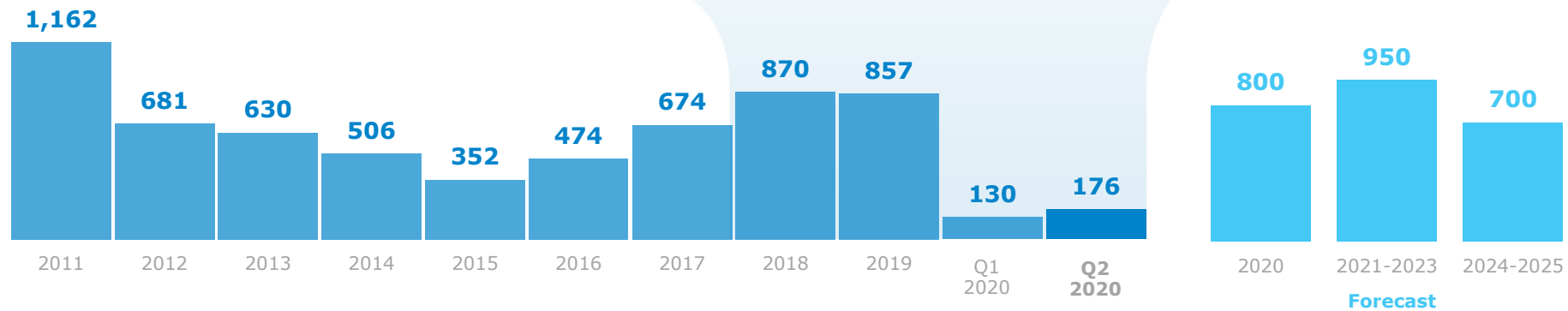
Quarterly dynamics

■ Maintenance
■ Development



Yearly dynamics

USD mln

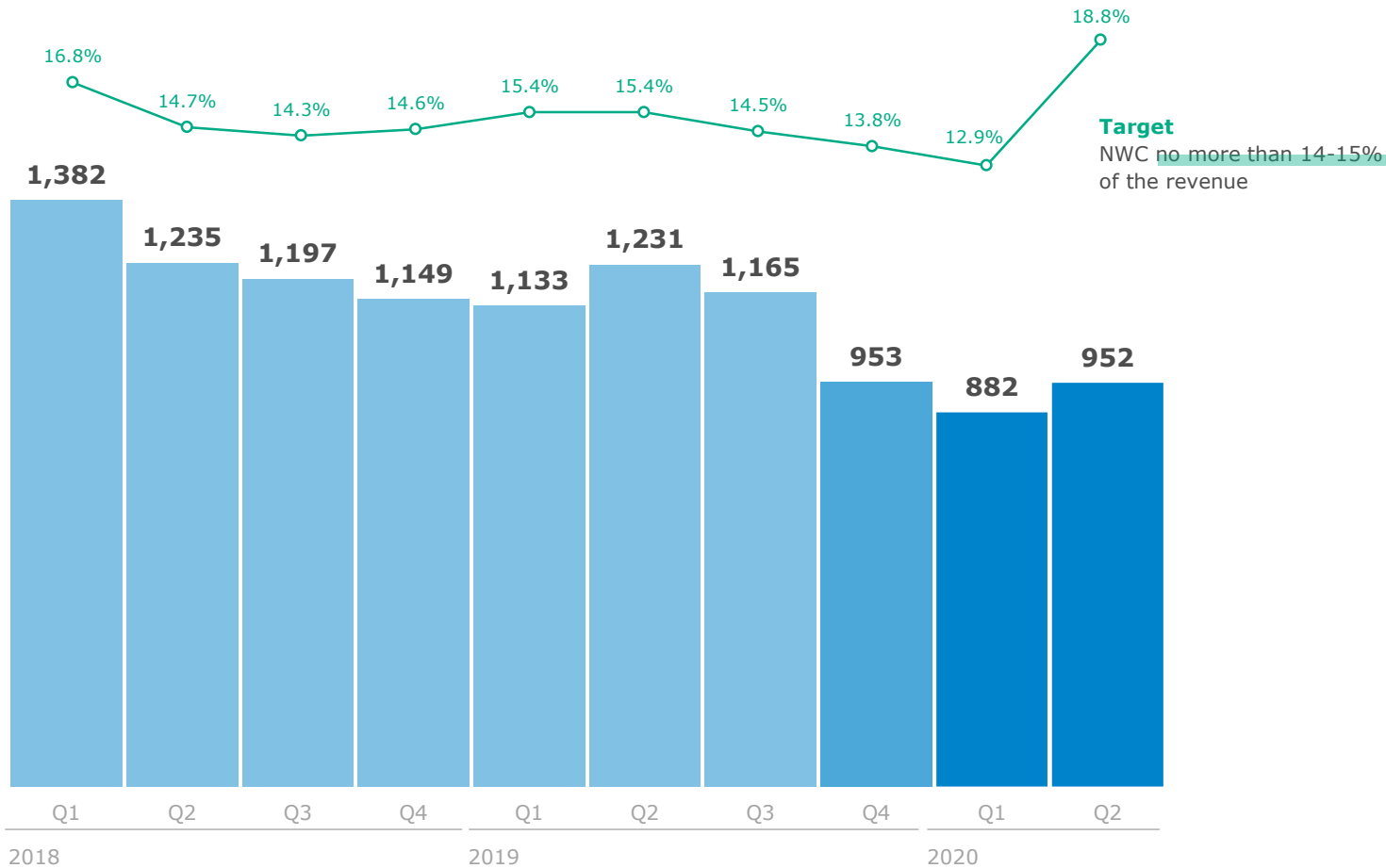


Q2 2020

NET WORKING CAPITAL

Net Working Capital dynamics

USD mln



The inflow to working capital in Q2 2020 was

USD 33 mln

driven primarily by higher export sales on the back of a worsening macroeconomic environment

At the same time, the NWC/revenue ratio increased to 18.8% as of 30 June 2020, mainly due to significantly lower revenue

Q2 2020

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SENSITIVITY AND KEY INDICATORS BREAKDOWN

Key indicators breakdown by currency

■ USD ■ Rubles ■ Euro ■ Other

Revenue

Cost of sales¹

CAPEX



Cash and deposits



Total Debt



EBITDA sensitivity

% of change in price

Effect on EBITDA, USD mln

Iron ore & pellets

▲ 1%

10

Coal concentrate

▲ 1%

7

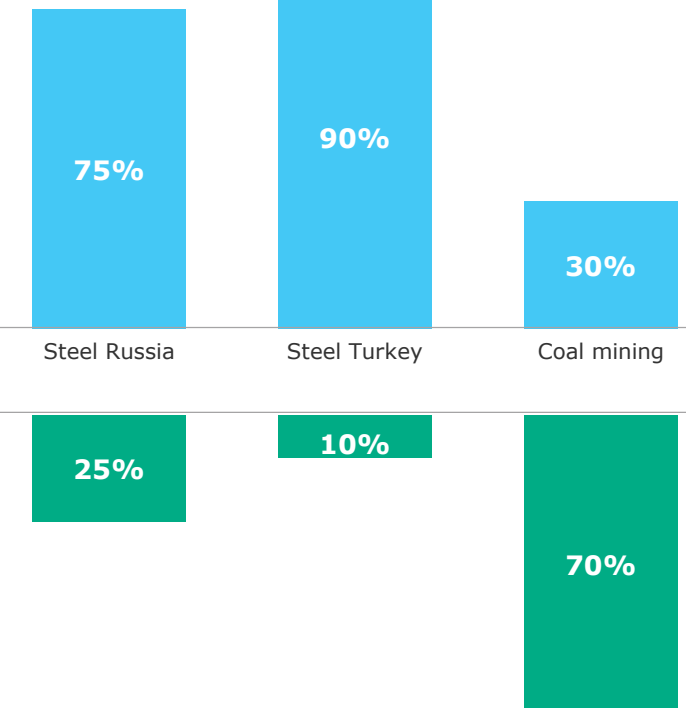
Metal scrap

▲ 1%

6

Cost of sales breakdown

■ Variable
■ Fixed





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