



MMK GROUP TRADING UPDATE

FOR Q2 AND H1 2020

14 JULY 2020

Magnitogorsk, Russia

PJSC Magnitogorsk Iron & Steel Works ("MMK", or the "Group") (MICEX-RTS: MAGN; LSE: MMK), one of the world's largest steel producers, is pleased to announce its Trading Update for Q2 and H1 2020.



HIGHLIGHTS

Q2 2020**VS Q1 2020**

- Pig iron output decreased by 11.3% quarter-on-quarter (q-o-q) to 2,089 thousand tonnes, driven by a slowdown in steel demand and a major overhaul of Blast Furnace No. 2, which was completed in June. The overhaul will improve MMK's environmental performance thanks to a series of dust exhausting unit projects at cast and stock houses.
- Steel output was down 22% q-o-q at 2,358 thousand tonnes due to the scheduled reconstruction of Hot-Rolling Mill 2500 and a drop in demand for metal products from key consuming industries amid the spread of the coronavirus pandemic.
- MMK Group's total sales of finished products amounted to 2,223 thousand tonnes, down 19.0% q-o-q.
- MMK Group's sales of HVA products totalled 1,151 thousand tonnes, down 12.0% q-o-q. The share of HVA products in total sales amounted to 51.8%. The decline in HVA product sales in Q2 was driven by the slowdown in Russian and global business activity.
- MMK Coal's coal concentrate production totalled 687 thousand tonnes, down 15.6% q-o-q, due to weaker demand for concentrate at MMK, in turn driven by lower steel output.

HIGHLIGHTS

H1 2020**VS H1 2019**

- Pig iron output decreased by 8.3% year-on-year (y-o-y) to 4,444 thousand tonnes amid the coronavirus pandemic and a longer period of scheduled maintenance at blast furnace facilities as compared to the previous year.
- Steel output in H1 2020 was down 13.2% y-o-y to 5,381 thousand tonnes, due to a lower consumption of steel during scheduled reconstruction of Hot-Rolling Mill 2500, as well as weaker demand.
- MMK Group's total sales of finished products fell by 11.9% y-o-y to 4,968 thousand tonnes.
- HVA product sales dropped by 11.0% y-o-y to 2,459 thousand tonnes. The share of HVA products in total sales increased to 49.5%.
- MMK Coal's concentrate output in H1 2020 amounted to 1,501 thousand tonnes, up by 18.8% y-o-y, due to the completion of a beneficiation plant upgrade, which took place throughout 2019.



MARKET OVERVIEW

Global steel products market: The lifting of lockdown in China in late Q1 and early Q2, paired with the government stimulus package, led to a stronger pricing environment. The restart of steel-intensive industries was supported by a government stimulus of infrastructure projects, along with pent-up demand for rolled steel after a period of lockdown. As a result, prices in China's domestic market demonstrated robust growth throughout the whole of Q2 2020. Coupled with the lifting of restrictions in other countries, this had a positive impact on hot-rolled product prices in the Black Sea region in mid-to-late Q2.

Russian steel products market: In Q2, steel product prices in Russia were challenged by the slowdown in the domestic market on the back of the national lockdown. Prices in the Russian market came under additional pressure from the delayed effect of a drop in global rolled steel prices at the end of Q1.

Global iron ore market: Iron ore prices are faring rather well for the second year in a row as China's pig iron and steel output continued to grow in 2020. On the supply side, Brazil's iron ore exports have been disrupted by bad weather and short-term shutdowns at some plants in line with lockdown measures introduced to combat the coronavirus.

Russian iron ore market: Supply is a bit ahead of demand as Russian iron ore producers maintained high levels of capacity utilisation. In Q2, suppliers significantly ramped up iron ore shipments to China due to a major decline in exports to Europe and weaker domestic demand for iron ore. Base prices in Russia are following Chinese indices adjusted for changes in the USD/RUB rate, albeit with higher discounts offered to domestic consumers.

Global coking coal market: In Q2 2020, coking coal exporters were challenged by a sharp drop in steelmaking capacity utilisation rates in the developed economies and India. Following a period of robust demand in early 2020, China's coal import was limited by annual coal import quotas. In Q2 2020, spot prices were down to USD 100–120 per tonne as compared to USD 150–160 per tonne in Q1, with limited growth potential in Q3 due to extremely low demand.

Russian coking coal market: Russia is a buyer's market, in which limited export potential has been consistently putting downward pressure on prices since mid-2019. Russia's coal producers have started to make production cuts but the impact of their actions on the market balance has been marginal so far as coal surplus remains relatively high.

Russian metal scrap market: Lockdown measures designed to curb the spread of COVID-19 caused significant volatility in scrap collection and demand throughout Q2 with scrap prices showing no inclination to trend in either direction. The market should return to balance in Q3 2020 with rising demand for feedstock expected to push scrap prices up.



MMK GROUP'S CONSOLIDATED RESULTS

thousand tonnes	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
Crude steel production	2,358	3,022	-22.0	5,381	6,198	-13.2
Pig iron production	2,089	2,355	-11.3	4,444	4,849	-8.3
Coal concentrate production	687	814	-15.6	1,501	1,263	18.8
Iron ore production	787	658	19.7	1,445	1,445	0.0
Finished product sales, including:	2,223	2,745	-19.0	4,968	5,638	-11.9
Semi-finished products	20	0	-	20	0	-
Long products	272	357	-23.8	628	700	-10.2
Flat hot-rolled products	781	1,080	-27.7	1,861	2,175	-14.4
HVA products, including:	1,151	1,308	-12.0	2,459	2,764	-11.0
Thick plate (Mill 5000)	213	231	-7.5	444	574	-22.6
Flat cold-rolled products	192	245	-21.6	437	498	-12.4
Downstream products, including:	745	833	-10.5	1,578	1,692	-6.7
Tin plate	45	42	7.3	86	75	14.7
Galvanised steel	377	443	-14.9	821	898	-8.6
Polymer-coated steel	157	140	11.8	297	332	-10.7
Band	28	32	-13.4	59	60	-0.3
Formed section	23	44	-48.1	67	79	-15.2
Pipe	18	13	43.4	31	22	40.7
Metalware	90	108	-16.3	198	199	-0.4
Other metal products	8	11	-32.0	19	27	-29.4
Share of HVA products	51.8%	47.7%		49.5%	49.0%	



CONSOLIDATED PRICES FOR METAL PRODUCTS

USD/tonne	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
Average price per tonne:	522	591	-11.7	560	639	-12.4
Semi-finished products	255	0	-	255	0	-
Long products	439	497	-11.7	472	535	-11.8
Flat hot-rolled products	414	520	-20.4	475	544	-12.7
HVA products, including:	618	675	-8.4	648	740	-12.4
Thick plate (Mill 5000)	536	688	-22.1	615	727	-15.4
Flat cold-rolled products	535	602	-11.1	572	622	-8.0
Downstream products, including:	664	692	-4.0	679	779	-12.8
Tin plate	702	773	-9.2	736	800	-8.0
Galvanised steel	630	651	-3.2	641	740	-13.4
Polymer-coated steel	790	827	-4.5	808	908	-11.0
Band	593	663	-10.6	631	691	-8.7
Formed section	600	760	-21.1	706	791	-10.7
Pipe	514	555	-7.4	531	588	-9.7
Metalware	637	659	-3.3	649	768	-15.5
Other metal products	668	692	-3.5	682	809	-15.7

-11.7% q-o-q

AVERAGE SELLING PRICE

The average selling price in US dollars decreased by 11.7% q-o-q in Q2 2020 to USD 522 per tonne.

The primary driver was the rouble devaluation, the pandemic-induced slowdown in business activity and declines in global hot-rolled prices. The 12.4% y-o-y fall in the average selling price in H1 2020 was caused by a drop in global steel prices.



MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

thousand tonnes	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
Crude steel production	2,358	3,022	-22.0	5 381	6,198	-13.2
Pig iron production	2,089	2,355	-11.3	4 444	4,849	-8.3
Finished product sales, including:	2,122	2,597	-18.3	4 719	5,461	-1.6
Semi-finished products	20	0	-	20	0	-
Long products	272	357	-23.8	628	695	-10.2
Flat hot-rolled products	831	1,095	-24.2	1 926	2,359	-18.3
HVA products, including:	1,000	1,145	-12.7	2 145	2,407	-10.8
Thick plate (Mill 5000)	213	231	-7.5	444	574	-22.6
Flat cold-rolled products	192	245	-21.6	437	495	-11.9
Downstream products, including:	594	670	-11.3	1 264	1,339	-5.3
Tin plate	45	42	7.3	86	75	14.7
Galvanised steel	265	311	-14.9	576	609	-5.3
Polymer-coated steel	118	109	8.1	227	264	-14.1
Band	28	32	-13.4	59	64	-0.3
Formed section	23	44	-48.1	67	79	-15.2
Pipe	18	13	43.4	31	22	40.7
Metalware	90	108	-16.3	198	199	-0.4
Other metal products	8	11	-32.4	19	27	-29.5
Share of HVA products	47.1%	44.1%		45.4%	44.0%	

-18.3% q-o-q

SALES OF FINISHED
PRODUCTS

Sales of finished products in Q2 2020 dropped by 18.3% q-o-q to 2,122 thousand tonnes, mostly due to scheduled reconstruction of Hot-Rolling Mill 2500. The decrease in product sales in H1 2020 by 13.6% y-o-y to 4,719 thousand tonnes was driven by longer period of scheduled maintenance and a more complex product mix at Mill 5000.

-23.8% q-o-q

SALES OF LONG PRODUCTS

The 23.8% q-o-q fall in long product sales in Q2 2020 to 272 thousand tonnes was primarily driven by lower demand from the construction industry. Year-on-year, sales were down 10.2% to 628 thousand tonnes in H1 2020, reflecting the slowdown in business activity.

-24.2% q-o-q

SALES OF HOT-ROLLED
PRODUCTS

The volume of sales of hot-rolled products in Q2 2020 declined by 24.2% q-o-q to 831 thousand tonnes. This was mostly due to the scheduled reconstruction of Hot-Rolling Mill 2500 as part of the current



-12.7% q-o-q

SALES OF HVA PRODUCTS

-7.5% q-o-q

SALES OF MILL 5000 PRODUCTS

-21.6% q-o-q

SALES OF COLD-ROLLED PRODUCTS

+7.3% q-o-q

SALES OF TIN PLATE

-14.9% q-o-q

SALES OF GALVANISED STEEL

+8.1% q-o-q

SALES OF POLYMER-COATED STEEL

investment programme. Year-on-year, sales of hot-rolled products dropped by 18.3% to 1,926 thousand tonnes in H1 2020, affected by longer period of scheduled maintenance.

In Q2 2020, sales of HVA products were down by 12.7% to 1,000 thousand tonnes, while their share of total sales grew to 47.1%. Despite the slowdown in business activity, Group sales to automotive industry remained flat q-o-q. Year-on-year, sales of HVA products were down 10.8% to 2,145 thousand tonnes in H1 2020, while their share of total sales grew to 45.4%. The major drivers of the change were a decline in sales of Mill 5000 thick plate and slowdown in world business activity.

The 7.5% decrease in sales volumes of Mill 5000 products q-o-q to 213 thousand tonnes was due to a more complex product mix. The 22.6% y-o-y decline in Mill 5000 thick plate sales to 444 thousand tonnes in H1 2020 was mainly due to a more complex product mix amid a 100% capacity utilisation rate.

Sales of cold-rolled products in Q2 2020 were down 21.6% q-o-q to 192 thousand tonnes, impacted by lower demand from the metalworking and rerolling manufactures. Year-on-year, sales were down 11.9% to 437 thousand tonnes in H1 2020, due to the major slowdown in business activity along with an accident at the Cold-Rolling Mill 1700 this February.

In Q2 2020, tin plate sales grew by 7.3% to 45 thousand tonnes, reflecting a higher demand from the food industry. Year-on-year, sales of tin plate grew by 14.7% to 86 thousand tonnes in H1 2020.

Sales of galvanised steel in Q2 2020 contracted by 14.9% q-o-q to 265 thousand tonnes due to the deterioration of market conditions. Year-on-year, sales declined by 5.3% to 576 thousand tonnes in H1 2020.

In Q2 2020, sales of polymer-coated steel grew by 8.1% q-o-q to 118 thousand tonnes, driven by pent-up seasonal demand. Year-on-year, sales of polymer-coated steel declined by 14.1% to 227 thousand tonnes in H1 2020, reflecting the difficult market environment.



STEEL SEGMENT TURKEY

thousand tonnes	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
Finished product sales, including:	154	167	-7.8	322	373	-13.7
Flat hot-rolled products	3	4	-22.8	7	11	-34.9
HVA products, including:	151	163	-7.5	314	362	-13.0
Flat cold-rolled products	-	-	-	-	4	-
Downstream products, including:	151	163	-7.5	314	358	-12.1
Galvanised steel	112	132	-15.0	244	289	-15.5
Polymer-coated steel	39	31	24.8	70	68	2.2
Share of HVA products	97.9%	97.5%		97.7%	97.0%	
Intersegment sales from Steel segment Russia	53	19	172.5	72	196	-63.2

-7.8% Q-o-Q

SALES OF FINISHED PRODUCTS

The Turkish steel segment's sales of finished products in Q2 2020 were down 7.8% q-o-q at 154 thousand tonnes, reflecting the sharp slowdown in business activity that started in Q1 on the back of the pandemic and subsequent lockdown. In Q2 2020, the Turkish steel segment saw a 24.8% growth in high-margin polymer-coated steel sales to 39 thousand tonnes in spite of the difficult market environment.

The 13.7% y-o-y decline in H1 2020 sales to 322 thousand tonnes was due to the spread of the pandemic and the EU import quotas imposed on rolled products from Turkey. At the same time polymer-coated steel sales increased by 2.2% y-o-y to 70 thousand tonnes in H1 2020, reflecting the Turkish steel segment's strategy to boost sales of high-margin products in a highly volatile and uncertain market environment seen in Turkey.

COAL MINING SEGMENT

thousand tonnes	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
Coking coal mining	909	1,238	-26.3	2,143	2,442	-11.2
Coking coal processing	1,202	1,442	-16.6	2,644	2,337	-13.1
Mined	1,061	1,358	-21.9	2,419	2,188	10.6
Purchased	141	84	67.2	225	135	66.8
Toll	-	-	-	-	14	-
Coking coal concentrate	687	814	-15.6	1,501	1,263	18.8

-26.3% Q-o-Q

COKING COAL PRODUCTION

Coking coal production in Q2 2020 amounted to 909 thousand tonnes, a decrease of 26.3% q-o-q, due to face transfer operations.



Year-on-year, coking coal production was down 11.2% to 2,143 thousand tonnes in H1 2020, due to the challenging geological conditions at the Chertinskaya-Koksovaya mine.

-15.6% q-o-q

COAL CONCENTRATE PRODUCTION

Coal concentrate production in Q2 2020 declined by 15.6% q-o-q to 687 thousand tonnes, driven by the lower demand for concentrate at MMK. The 18.8% y-o-y growth in coal concentrate output to 1,501 thousand tonnes in H1 2020 was driven by the completion of a beneficiation plant upgrade, which took place throughout 2019.

MMK GROUP'S SUSTAINABILITY PERFORMANCE (ESG)

HIGHLIGHTS

- On 8 July 2020, MMK published a corporate Sustainability Report prepared under the Global Reporting Initiative (GRI) standards. The publication of this Report reflects MMK's commitment to its mission and core principles of sustainable development, including the achievement of the UN's Sustainable Development Goals.
- Following the reconstruction, Blast Furnace No. 2 with advanced dust exhausting units at cast and stock houses, was put into operation in June, which will significantly reduce future dust emissions.
- In February 2020, an appraisal audit was successfully conducted for compliance with the international standard ISO 45001:2018.

	Q2 2020	Q1 2020	%	H1 2020	H1 2019	%
LTIFR	0.29	1.09	-73.4	0.69	0.99	-30.3
Gross atmospheric emissions, thousand tonnes	38.7	42.8	-10.6	81.5	98.5	-17,3
Specific atmospheric emissions, kg/tonne	17.83	16.78	6.3	17.28	18.04	-4,2

-30,3% y-o-y

LTIFR

In H1 2020, lost-time-injury frequency rate (LTIFR) decreased year-on-year by 30.3% to 0.69, reflecting a decrease in the number of accidents as part of the implementation of measures to improve the production safety culture and eliminate the root causes of accidents.

-4,2% y-o-y

SPECIFIC AIR EMISSIONS

The construction and launch of Sinter Plant No. 5 in mid-2019, which boasts an advanced gas-cleaning system, coupled with the subsequent decommissioning of Sinter Plant No. 4 delivered improved environmental performance for the Group. As a result, specific air emissions in H1 2020 decreased by 4.2% y-o-y to 17.28 kg/tonne.

In Q2 2020, specific atmospheric emissions increased by 6.3% q-o-q to 17.83 kg/tonne on the back of lower metal products production while the sinter production remained flat.



MMK GROUP'S MANAGEMENT POLICIES IN RESPONSE TO COVID-19

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- MMK Group's divisions are taking active measures to prevent the spread and reduce the risk of coronavirus infection. Employees have their body temperature measured daily by contactless thermometers. Dispensers with antiseptic solution have been placed in administrative buildings and in public areas, while specialised disinfecting equipment has been put in place and sanitary treatments are being carried out regularly.
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- Office employees have been shifted to work remotely, while the number of personnel at production sites has been reduced. Shifts are being separated by pauses in order to minimise contact between employees.
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- Victor F. Rashnikov, Chairman of the Board of Directors of PJSC MMK, donated RUB 500 mln for anti-pandemic and social support measures at Magnitogorsk.
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- The funds have been used to purchase ventilators and make orders for bedside monitors, infusion systems and perfusors. The funds were also channelled into hazard allowance to compensate healthcare professionals operating in COVID-19 risk environments.
 - Tablets and laptops were purchased for schoolchildren from low-income families. Newly-qualified teachers from Magnitogorsk schools also received laptops to aid remote learning. Overall, more than 7,000 laptops and tablets were distributed to schoolchildren and 500 laptops to teachers.
 - Special germicidal air purifiers were distributed to, and installed at, Magnitogorsk nurseries, which are now open as normal. Magnitogorsk orphanages and boarding schools received contactless thermometers.
 - Specially-prepared, certified food parcels and PPE packs are already being delivered to targeted groups in the city: pensioners living alone, especially disadvantaged people and low-income residents.
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- «We Stand Together» is a special charity bank account used to raise funds for especially disadvantaged residents, who were hit hardest by the pandemic. As of the middle of July, RUB 143 mln had been donated to the charity account.



OUTLOOK

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- The recovery of domestic demand that emerged in late Q2 will continue into Q3 2020.
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- The launch of Hot-Rolling Mill 2500 in mid-July following its reconstruction, underway since Q1, will increase the Group's hot-rolled production capacity and boost Q3 sales volumes.
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- Group performance will be further bolstered once the utilisation of high-margin production units is maximised.
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- 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.
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- Our CAPEX for Q3 2020 will 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.
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- Operational excellence initiatives under the Evolution Business System will boost Group performance in Q3 2020.



ABOUT MMK

MMK is one of the world's largest steel producers and a leading Russian metals company. The Group'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 2019, MMK produced 12.5 mln tonnes of crude steel and 11.3 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margins. Group revenue in 2019 totalled USD 7,566 mln, with an EBITDA of USD 1,797 mln. MMK boasts the industry's lowest debt burden. Net debt/EBITDA ratio was -0.13x at the end of 2019. The Group's investment-grade rating is confirmed by the leading global rating agencies Fitch, Moody's and S&P.

MMK's ordinary shares are traded on the Moscow Exchange, while its depositary receipts are traded on the London Stock Exchange. Free float amounts to 15.7%.

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KEY UPCOMING EVENTS IN 2020

FINANCIAL CALENDAR

29 July	Q2 and 6M 2020 IFRS financials
13 October	Q3 and 9M 2020 Trading Update
22 October	Q3 and 9M 2020 IFRS financials