



MMK GROUP TRADING UPDATE

FOR Q1 2020

14 APRIL 2020
Magnitogorsk, Russia

PJSC Magnitogorsk Iron & Steel Works («MMK», or «the Company») (MICEX-RTS: MAGN; LSE: MMK), one of the world's largest steel producers, is pleased to announce its Trading Update for Q1 2020



KEY OPERATING RESULTS

**Q1 2020
IN COMPARISON
TO Q4 2019**

- Pig iron output decreased by 9.6% quarter-on-quarter (q-o-q) and amounted to 2,355 thousand tonnes amid the suspension of blast furnace N°2 production due to a capital overhaul in February. The overhaul will allow to improve environmental performance through constructing dust exhausting units at casting house and stock house.
- Steel output was down by 1.6% q-o-q and amounted to 3,022 thousand tonnes due to maintenance work at converter facilities and scheduled reconstruction of hot rolled Mill 2500.
- MMK Group's total sales of finished products totalled 2,745 thousand tonnes, down 1.3% q-o-q.
- MMK Group's sale of HVA products amounted to 1,308 thousand tonnes, up 1.0% q-o-q. The share of HVA products in total sales amounted to 47.7%. This growth was due to higher demand for coated metal products.
- MMK Coal's coal concentrate production totalled 814 thousand tonnes, up 12.9% q-o-q due to higher demand for concentrate at MMK.

KEY OPERATING RESULTS

**Q1 2020
IN COMPARISON
TO Q1 2019**

- Pig iron output decreased by 1.7% year-on-year (y-o-y) amid longer maintenance work scheduled at blast furnace facilities compared to the previous year.
- Steel output was down by 2.7% y-o-y due to lower steel demand amid scheduled maintenance work at rolling facilities.
- MMK Group's total sales of finished products declined by 1.3% y-o-y.
- MMK Group's sale of HVA products declined by 2.5% y-o-y. The share of HVA products in total sales was down to 47.7%.
- MMK Coal's coal concentrate production increased by 4.8% y-o-y.



MARKET OVERVIEW

Following the partial recovery of global prices for rolled metal products at the end of Q4 2019, **the global market conditions sharply deteriorated in mid-Q1 2020** due to widespread quarantine measures and weaker economic activity amid the coronavirus pandemic outbreak.

In the beginning of Q1 2020, **price dynamics on the Russian market reflected the global quotes growth initiated in Q4 2019**. At the end of Q1 2020, prices for rolled metal products were supported by a significant rouble devaluation.

Global iron ore market: in Q1 2020, iron ore quotes were high and ranged from \$80-90/tonne CFR China. Despite the active development of the coronavirus pandemic, the blast furnace capacity utilization in China was nearly the same as in early 2019 - demand and end consumption of iron ore was stable. In addition, high prices were also a result of a weak supply at the global iron ore market. Shipments from Brazil were quite low during almost all of Q1 2020 due to heavy rain season. At the end of the quarter a number of other countries such as South Africa, India, and others decreased iron ore exports due to restrictions aimed at preventing the spread of coronavirus.

Russian iron ore market: at the beginning of Q1 2020 iron ore exports to EU countries increased. In April 2020 the pace of exports declined sharply, following the pandemic outbreak in Europe. Russian iron ore suppliers redirect export volumes to China amid phased economic recovery in the region. However, the challenging situation for metal producers around the world and logistic issues of iron ore exports from Russia may have a negative impact on the sales volumes of Russian suppliers. Base prices in Russia are following Chinese indices adjusted for changes in USD/RUB rate.

Global coking coal market: in January-February, quotes demonstrated growth due to high sales volumes in China. However, in March, demand from China declined as the local mining volumes resumed to normal levels, while a sharp decline in capacity utilisation at metal facilities in the EU, US, India and other countries started to accelerate on the back of pandemic. As a result, all unclaimed volumes were redirected to China, leading to spot prices declining by \$20-25/tonne within the month.

Russian coking coal market: the volume of raw materials supply in Russia continue to exceed demand; exports slightly increased in Q1 2020 prior to the pandemic, but external demand is quite limited in the current environment. While Russian coal producers have started to reduce mining rates, this has not significantly affected the market balance so far. Prices in Russia slightly declined in Q1 2020, following a sharp decline throughout the whole of 2019, however they are remained flat in Q2 as prices in Russia are already close to cash costs levels for many coal companies.

Russian metal scrap market: the increase in scrap prices in Russia in early 2020, which occurred amid a period of low scrap collection dynamics, supported the supply volume. However, starting from February 2020, steel companies have been reducing purchasing prices, due to lower exports quotes for scrap. At the end of Q1 2020, prices continued to drop amid potential decline in capacity utilisation of steel companies due to unfavourable macroeconomic conditions.

MMK GROUP: CONSOLIDATED RESULTS

thousand tonnes

	Q1 2020	Q4 2019	%	Q1 2020	Q1 2019	%
Crude steel production	3 022	3 070	-1.6	3 022	3 107	-2.7
Pig iron production	2 355	2 604	-9.6	2 355	2 396	-1.7
Coal concentrate production	814	721	12.9	814	777	4.8
Iron ore production	658	678	-3.0	658	716	-8.2
Finished products sales, including:	2 745	2 781	-1.3	2 745	2 782	-1.3
Long products	357	313	14.1	357	329	8.3
Flat hot-rolled products	1 080	1 173	-7.9	1 080	1 111	-2.7
HVA products, including:	1 308	1 296	1.0	1 308	1 342	-2.5
Thick plate (Mill 5000)	231	211	9.1	231	293	-21.1
Flat cold-rolled products	245	260	-6.1	245	257	-4.8
Downstream products, including:	833	824	1.1	833	793	5.1
Tin plate	42	30	39.1	42	32	29.0
Galvanised steel	443	426	4.1	443	414	7.2
Polymer-coated steel	140	150	-6.4	140	156	-10.4
Band	32	33	-3.4	32	35	-8.0
Formed section	44	39	11.9	44	41	8.5
Pipes	13	16	-20.6	13	11	12.5
Metalware	108	117	-7.7	108	93	16.3
Other metal products	11	13	-13.4	11	11	3.4
Share of HVA products	47.7%	46.6%		47.7%	48.2%	



CONSOLIDATED PRICES FOR METAL PRODUCTS

USD / tonne

	Q1 2020	Q4 2019	%	Q1 2020	Q1 2019	%
Average price per tonne:	591	577	2.3	591	619	-4.5
Long products	497	498	-0.2	497	517	-3.8
Flat hot-rolled products	520	469	10.7	520	528	-1.6
HVA products, including:	675	694	-2.7	675	719	-6.1
Thick plate (Mill 5000)	688	710	-3.1	688	708	-2.8
Flat cold-rolled products	602	603	-0.2	602	601	0.0
Downstream products, including:	692	719	-3.7	692	762	-9.1
Tin plate	773	816	-5.3	773	783	-1.3
Galvanised steel	651	688	-5.3	651	728	-10.5
Polymer-coated steel	827	848	-2.4	827	871	-5.1
Band	663	680	-2.5	663	675	-1.7
Formed section	760	739	2.8	760	762	-0.3
Pipes	555	531	4.6	555	579	-4.0
Metalware	659	668	-1.3	659	769	-14.4
Other metal products	692	773	-10.5	692	765	-9.6

+2.3%_{qoq}

AVERAGE SELLING
PRICE

The average selling price, expressed in US dollars, for Q1 2020 increased by 2.3% q-o-q and amounted to \$591 per tonne.

The increase was mainly driven by recovery in global prices for hot-rolled steel in Q4 2019, which had a positive impact on the prices of the domestic market in Q1 2020, despite of the rouble devaluation at the end of Q1 2020. The average selling price for Q1 2020 decreased by 4.5% compared to Q1 2019 amid lower global steel prices.



MMK GROUP HIGHLIGHTS BY KEY SEGMENTS

STEEL SEGMENT RUSSIA

thousand tonnes

	Q1 2020	Q4 2019	%	Q1 2020	Q1 2019	%
Crude steel production	3 022	3 070	-1.6	3 022	3 107	-2.7
Pig iron production	2 355	2 604	-9.6	2 355	2 396	-1.7
Sales of finished products, including:	2 597	2 740	-5.3	2 597	2 779	-6.6
Long products	357	313	14.1	357	329	8.3
Flat hot-rolled products	1 095	1 292	-15.2	1 095	1 279	-14.3
HVA products, including:	1 145	1 139	0.6	1 145	1 172	-2.3
Thick plate (Mill 5000)	231	211	9.1	231	293	-21.1
Flat cold-rolled products	245	260	-6.0	245	255	-4.1
Downstream products, including:	670	667	0.4	670	624	7.3
Tin plate	42	30	39.1	42	32	29.0
Galvanised steel	311	305	2.2	311	285	9.4
Polymer-coated steel	109	114	-4.3	109	117	-6.8
Band	32	33	-3.4	32	35	-8.0
Formed section	44	39	11.9	44	41	8.5
Pipes	13	16	-20.6	13	11	12.5
Metalware	108	117	-7.7	108	93	16.3
Other metal products	11	13	-13.0	11	11	3.5
Share of HVA products	44.2%	41.6%		44.2%	42.1%	

-5.3% qoq

SALES OF FINISHED
PRODUCTS

Sales of finished products in Q1 2020 declined by 5.3% q-o-q and amounted to 2,597 thousand tonnes mainly due to scheduled maintenance work at rolling facilities. Sales declined by 6.6% **compared to Q1 2019**. In addition to the abovementioned factor, the sales decline was significantly impacted by a more complex production mix at thick-plate Mill 5000.

+14.1% qoqSALES OF LONG
PRODUCTS

The volume of sales of long products in Q1 2020 increased by 14.1% q-o-q and amounted to 357 thousand tonnes, mainly due to zero capital overhauls at long product facilities during the quarter and due to stable demand prior to the beginning of the construction season. Sales of long products in Q1 2020 increased by 8.3% **compared to Q1 2019.**

-15.2% qoqSALES OF HOT-ROLLED
PRODUCTS

The volume of sales of hot-rolled products for Q1 2020 declined by 15.2% q-o-q and amounted to 1,095 thousand tonnes, which was due to the launch of the second stage of the reconstruction of Mill 2500 as part of the current investment programme. The volume of sales of hot-rolled products declined by 14.3% **compared to Q1 2019.**

+0.6% qoqSALES OF HVA
PRODUCTS

The volume of sales of HVA products for Q1 2020 was flat q-o-q and amounted to 1,145 thousand tonnes, while the share of HVA products in total sales volumes increased to 44.2%. The decline in sales of HVA products by 2.3% **compared to Q1 2019** was due to lower sales of Mill 5000's thick plate.

-6.0% qoqSALES OF COLD-ROLLED
PRODUCTS

The volume of sales of cold-rolled products in Q1 2020 declined by 6.0% q-o-q to 245 thousand tonnes, mainly due to a fire outbreak at the reverse cold-rolling Mill 1700 in February 2020. Sales declined by 4.1% **compared to Q1 2019.**

+9.1% qoqSALES OF MILL
5000 PRODUCTS

The increase in the sales volume of Mill 5000 products by 9.1% q-o-q to 231 thousand tonnes was due to higher equipment productivity. A decline of 21.1% **compared to Q1 2019** was mainly tied to the more complex production mix amid an 100% capacity utilisation rate.

+39.1% qoq

SALES OF TIN PLATE

The volume of sales of tin plate in Q1 2020 increased by 39.1% q-o-q and amounted to 42 thousand tonnes due to higher demand from the food industry amid the threat of the coronavirus outbreak. Sales grew by 29.0% **compared to Q1 2019.**

+2.2% qoqSALES OF
GALVANISED STEEL

The increase in the sales volume of galvanised steel by 2.2% q-o-q to 311 thousand tonnes was due to higher seasonal demand amid the introduction of restrictive measures against imports of galvanised steel from China and Ukraine by the Eurasian Economic Union starting from 1 January 2020. Sales of galvanised steel grew 9.4% **compared to Q1 2019.**

-4.3% qoqSALES OF POLYMER-
COATED STEEL

The volume of sales of polymer-coated steel in Q1 2020 decreased by 4.3% q-o-q and amounted to 109 thousand tonnes due to higher sales margins for galvanised rolled steel. Polymer-coated steel sales declined by 6.8% **compared to Q1 2019.**



STEEL SEGMENT TURKEY

thousand tonnes

	Q1 2020	Q4 2019	%	Q1 2020	Q1 2019	%
Sales of finished products, including:	167	159	5.1	167	176	-4.9
Flat hot-rolled products	4	2	116.2	4	5	-20.9
Flat cold-rolled products	—	—	—	—	2	—
HVA products, including:	163	157	3.9	163	169	-3.0
Galvanised steel	132	121	8.9	132	129	2.4
Polymer-coated steel	31	36	-13.0	31	39	-20.8
Intersegment sales from Steel segment Russia	19	122	-84.1	19	173	-88.8

+5.1%_{QoQ}

SALES OF FINISHED PRODUCTS

Sales of finished products in Q1 2020 grew by 5.1% q-o-q and totalled 167 thousand tonnes due to the expansion and diversification of the product mix in the domestic market.

At the same time, a decline in sales by 4.9% **compared to Q1 2019** was due to the early termination of EU imports quotas for polymer-coated metal from Turkey. Spread of coronavirus infection put additional pressure on the market demand during the quarter.

COAL MINING SEGMENT

thousand tonnes

	Q1 2020	Q4 2019	%	Q1 2020	Q1 2019	%
Coking coal mining	1 238	1 337	-7.4	1 238	1 464	-15.4
Coking coal processing	1 442	1 281	12.6	1 442	1 422	1.4
Mined	1 358	1 267	7.2	1 358	1 403	-3.2
Purchased	84	14	503.1	84	19	343.2
Coking coal concentrate	814	721	12.9	814	777	4.8

-7.4%_{QoQ}

COKING COAL PRODUCTION

Coking coal production in Q1 2020 decreased by 7.4% q-o-q and amounted to 1,238 thousand tonnes due to the complex geological conditions during the quarter. The decline **compared to Q1 2019** amounted to 15.4%.

+12.9%_{QoQ}

COAL CONCENTRATE PRODUCTION

At the same time, **coal concentrate production in Q1 2020** increased by 12.9% q-o-q to 814 thousand tonnes driven by the higher demand for concentrate at MMK. An increase in coal concentrate production was achieved on the back of raw coal warehouse stocks consumption declining. Coal concentrate output increased by 4.8% **compared to Q1 2019** thanks to higher yields for coking coal.



OUTLOOK

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- The unfavourable pandemic environment globally and the introduction of quarantine measures in Russia to fight coronavirus create uncertainty in terms of demand for metal products from key consuming industries. As a result, the Company's management sees risks of declining sales volumes in Q2 2020. During the peak period of the coronavirus outbreak and weaker business activity, the Company has been conducting maintenance work leading to a planned decline in production volumes.
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- Market uncertainty and reduced business activity amid the coronavirus pandemic will significantly affect global prices for metal products in Q2 2020.
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- Due to the rouble devaluation in March, in Q2 2020 iron ore prices are expected to stay the same, with a moderate correction towards the end of the quarter. Prices for coal concentrate in Russia should remain at the current levels, since indices are close to cash costs for a number of coal companies. Prices for metal scrap will decline in Q2, reflecting the negative impact of the pandemic on business activity.
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- The Company continues to closely monitor the coronavirus situation. Active measures taken by the Company's management to avoid the spread of the virus are helping to minimise risks both for its employees and the business.
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- **Improving operational efficiency is one of the main priorities of the Company** as it works to support its financial performance despite economic headwinds.



ABOUT MMK

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 2019, the Company 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 margin. MMK Group had revenue in 2019 of USD 7,566 mln and EBITDA of USD 1,797 mln. MMK's debt load is the lowest for the industry. Net debt/EBITDA ratio was -0.13x at the end of 2019. The Company's investment-grade rating is confirmed by the leading global rating agencies Fitch, Moody's, S&P.

MMK's ordinary shares are traded on 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 April	Q1 2020 IFRS financials
29 May	AGM
14 July	Q2 and 6M 2020 Trading Update
29 July	Q2 and 6M 2020 IFRS financials
13 October	Q3 and 9M 2020 Trading Update
22 October	Q3 and 9M 2020 IFRS financials