

Operational Results for Q2 2019

Metalloinvest, a leading global iron ore and merchant HBI producer and supplier, and one of the regional producers of high-quality steel, today announces its operational results for the second quarter of 2019.

Management comments

Andrey Varichev, CEO of Management Company Metalloinvest, commented:

“In line with our strategy to increase the share of high value-added products in the output, in Q2 2019 the Company increased pellet production and shipments by 6% and 7%, respectively, compared to the previous quarter. As a result, the share of HVA iron ore products, comprising pellets and HBI/DRI, increased to 75% of our total iron ore product shipments. At the same time, sales of iron ore products to Asia significantly increased in Q2 2019 and reached 16% of total iron ore product shipments, rising from 11% in Q1 2019. The share of HVA products in steel shipments continues to gradually increase and was recorded at 46%, with the main market being domestic customers.”

Production by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Iron ore ¹	10,063	9,602	4.8%	10,124	-0.6%
Pellets	7,230	6,840	5.7%	6,956	3.9%
HBI/DRI	2,029	2,020	0.4%	1,997	1.6%
Hot metal	684	678	0.9%	737	-7.2%
Crude steel	1,246	1,185	5.1%	1,260	-1.1%

Shipments by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Iron ore ¹	1,547	1,624	-4.7%	1,807	-14.4%
Pellets	3,554	3,336	6.5%	3,560	-0.2%
HBI/DRI	1,098	1,224	-10.3%	1,159	-5.3%
Pig iron	394	532	-25.9%	542	-27.3%
Steel products	1,168	1,126	3.7%	1,174	-0.5%

¹ Hereinafter iron ore refers to iron ore concentrate and sintering ore

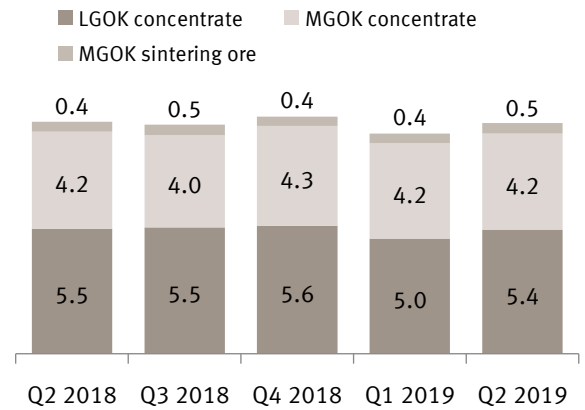
1. Iron ore products

1.1 Production

- In Q2 2019, iron ore production remained almost flat as compared to Q2 2018 (-0.6% y-o-y²) and amounted to 10.1 mn tonnes. At the same time, the growth in production volumes by 4.8% q-o-q³ was driven by an increase in productivity due to the processing of higher quality ore and the completion of scheduled maintenance works
- In Q2 2019, pellet production increased by 3.9% y-o-y and 5.7% q-o-q and amounted to 7.2 mn tonnes. The growth in pellet production was due the completion of scheduled maintenance works, as well as an increase in productivity due to a change in the pellet product mix
- HBI/DRI production remained flat q-o-q (2.0 mn tonnes) and was 1.6% higher y-o-y mainly due an increase in productivity of the Company's HBI plants

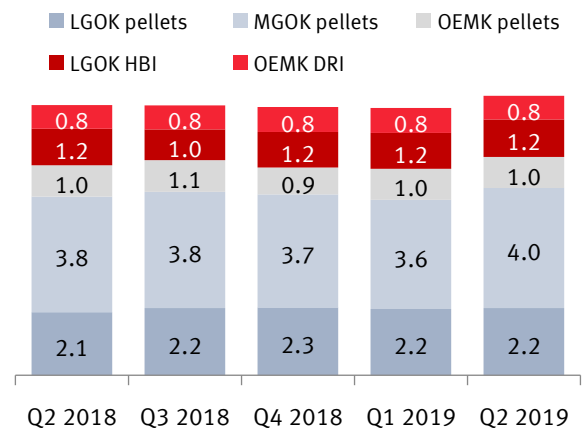
Iron ore production

mn tonnes



Pellets and HBI/DRI production

mn tonnes



² Hereinafter y-o-y represents change in Q2 2019 vs. Q2 2018

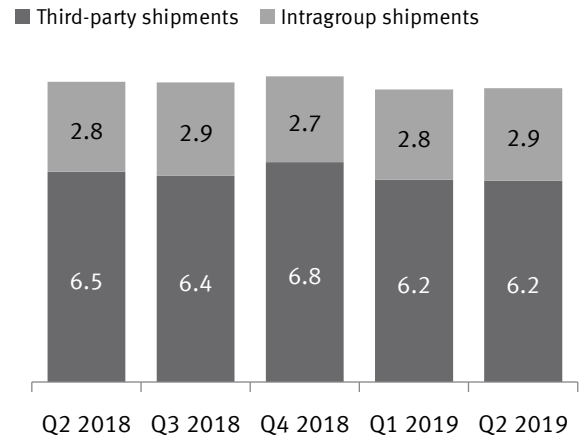
³ Hereinafter q-o-q represents change in Q2 2019 vs. Q1 2019

1.2 Shipments

- In Q2 2019, the total volume of iron ore product shipments to third parties remained flat q-o-q and amounted to 6.2 mn tonnes
- HVA iron ore product (pellets and HBI/DRI) shipments increased to 75% of the total amount of iron ore product shipments in Q2 2019, compared with 74% in Q1 2019 and 72% in Q2 2018
- In Q2 2019, the share of iron ore product shipments to the domestic market amounted to 53%, compared with 57% in Q1 2019 and 67% in Q2 2018
- The Company increased the volume of export supplies during the reporting period by 9.7% q-o-q and 35.8% y-o-y mainly due to the increase in supplies to Asia (the share of shipments to Asia comprised 16% in Q2 2019, compared with 11% in Q1 2019 and 1% in Q2 2018)

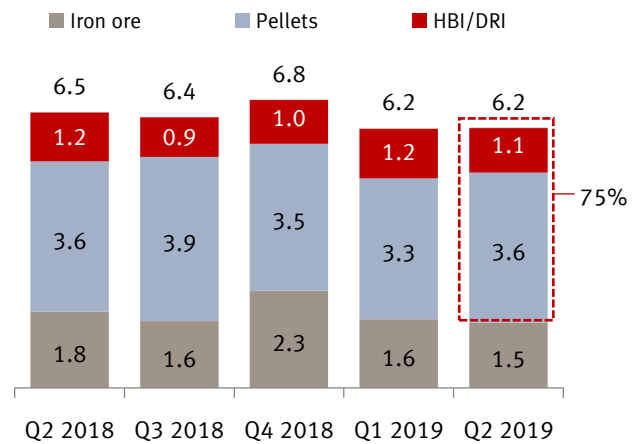
Shipments of iron ore products

mn tonnes

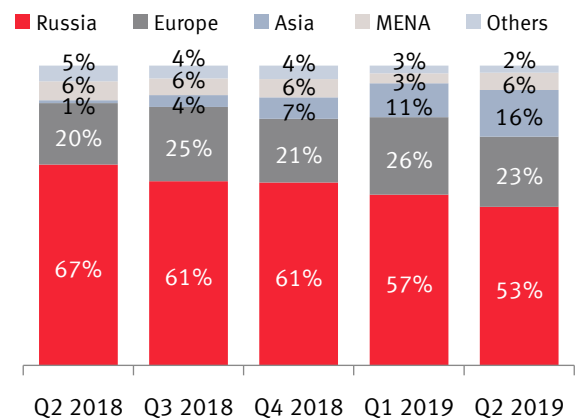


Shipments to external customers

mn tonnes



Shipments by region*



* Shipments of iron ore, pellets and HBI/DRI

2. Pig iron and steel products

2.1 Production

- In Q2 2019, the output of hot metal remained almost flat q-o-q (+0.9%) and amounted to 0.7 mn tonnes. The Company decreased hot metal production by 7.2% y-o-y as a result of maintenance and repair works at Ural Steel in Q2 2019
- Crude steel production increased in Q2 2019 by 5.1% q-o-q to 1.2 mn tonnes. This growth was largely a result of plant reconstruction and hot tests of FMF⁴ at Ural Steel in Q1 2019. Crude steel output was decreased by 1.1% y-o-y due to the development of FMF steel production technology

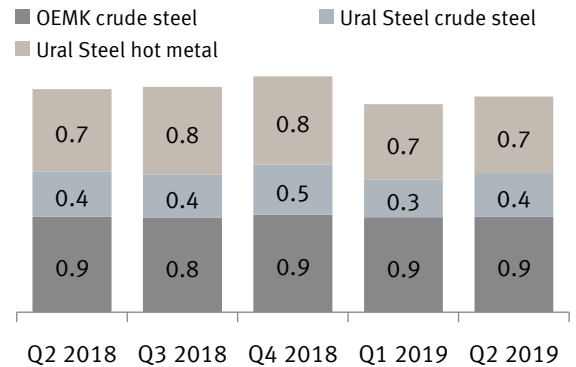
2.2 Shipments

- In Q2 2019, pig iron shipments to third parties decreased to 0.4 mn tonnes compared with 0.5 mn tonnes in Q1 2019, partly owing to the growth of internal consumption for steel production
- The share of HVA⁵ steel product shipments amounted to 46.0% in Q2 2019, compared with 45.5% in Q1 2019 and 44.6% in Q2 2018
- In Q2 2019, pig iron and steel product shipments was partially reoriented to the Russian market (its share increased to 34%, compared with 29% in Q1 2019 and 28% in Q2 2018), mainly due to an increase in shipments to ChelPipe. Thus, export shipments of pig iron and steel product in Q2 2019 decreased by 12.6% q-o-q and 16.7% y-o-y

⁴ FMF - Flexible Modular Furnace

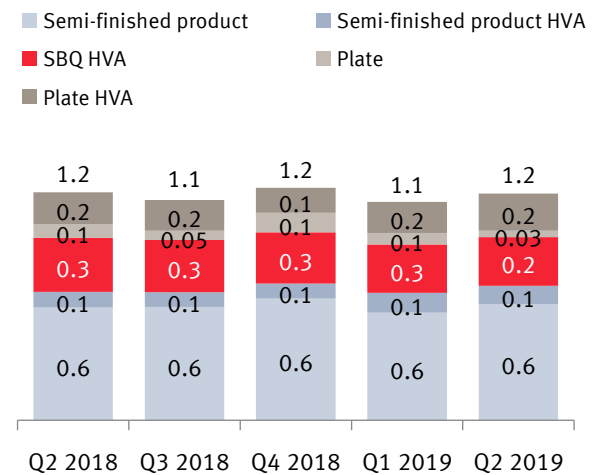
Production of steel products

mn tonnes

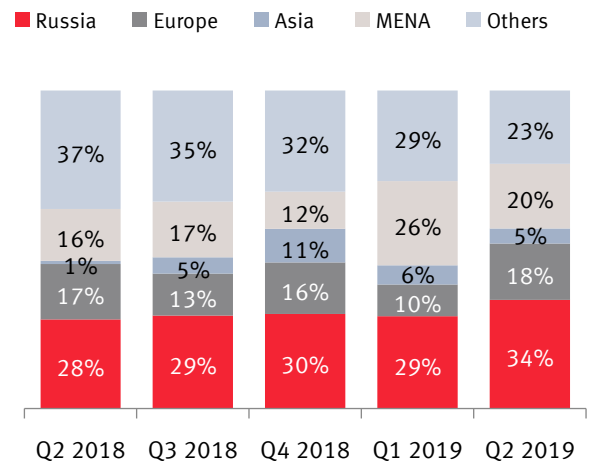


Shipments to external customers

mn tonnes



Shipments by region*

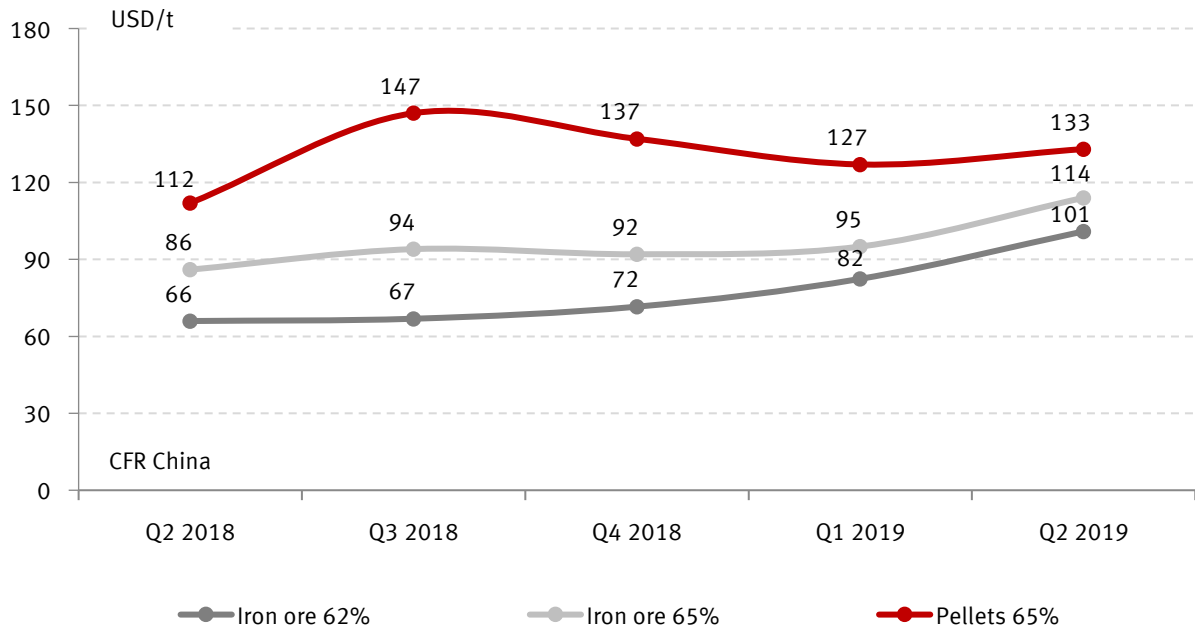


* Shipments of pig iron and steel products

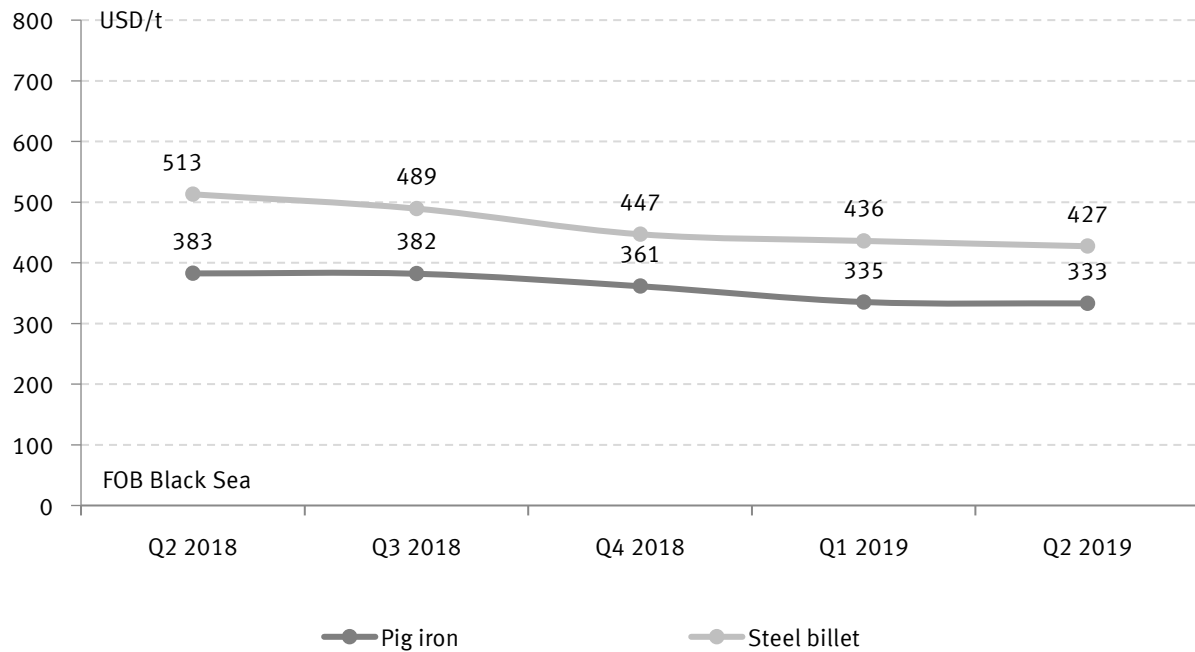
⁵ HVA – high value-added. The list of steel products by types is presented in the Appendix below

3. Global iron ore and steel indices⁶

3.1 Iron ore products



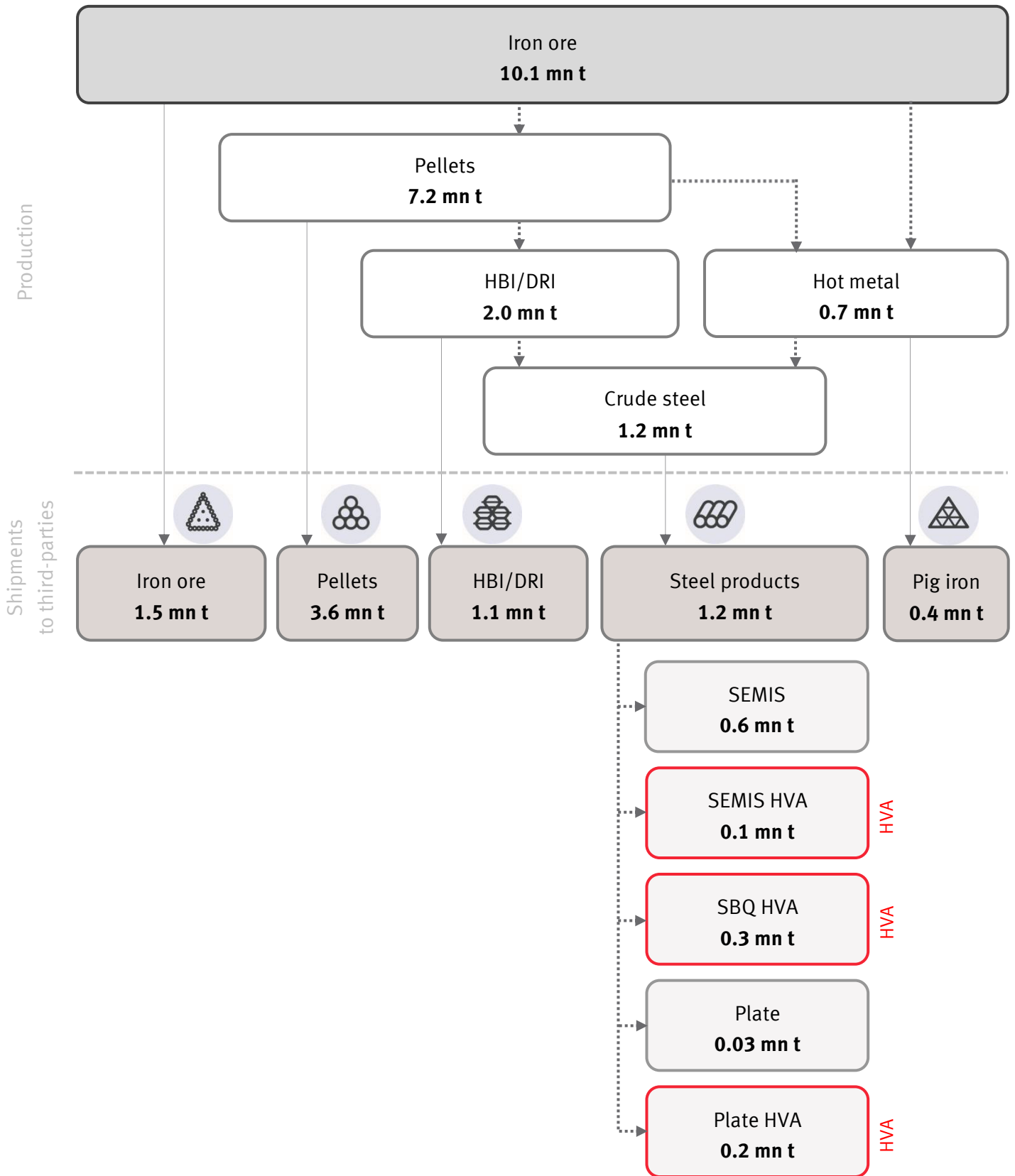
3.2 Pig iron and steel



⁶ Source: Fastmarkets, quarterly average



Production and shipments for Q2 2019



Appendix
Metalloinvest consolidated results – Iron ore products

Production					
tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Iron ore*	10,063	9,602	4.8%	10,124	-0.6%
Pellets	7,230	6,840	5.7%	6,956	3.9%
HBI/DRI	2,029	2,020	0.4%	1,997	1.6%

Shipments by product**					
tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Iron ore*	1,547	1,624	-4.7%	1,807	-14.4%
Pellets	3,554	3,336	6.5%	3,560	-0.2%
HBI/DRI	1,098	1,224	-10.3%	1,159	-5.3%
Other***	16	12	33.3%	9	77.8%
Total shipments	6,214	6,197	0.3%	6,536	-4.9%

Shipments by region****					
tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Russia	3,287	3,528	-6.8%	4,380	-25.0%
Europe	1,455	1,604	-9.3%	1,338	8.7%
Asia	969	702	38.0%	61	>100%
MENA	355	199	78.4%	413	-14.0%
Other	148	163	-9.2%	345	-57.1%
Total shipments	6,214	6,197	0.3%	6,536	-4.9%

* Iron ore refers to iron ore concentrate and sintering ore

** Shipments from plants (deviation from sales figures is possible due to changes in traders' inventories and is treated as immaterial)

*** HBI fines and pellets screening at LGOK

**** Iron ore, pellets, HBI/DRI, HBI fines and pellets screening

Appendix (continued)
Metalloinvest consolidated results – Pig iron and steel products
Production by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Hot metal	684	678	0.9%	737	-7.2%
Crude steel	1,246	1,185	5.1%	1,260	-1.1%

Shipments by product*

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Pig iron	394	532	-25.9%	542	-27.3%
Steel products, incl.**:	1,168	1,126	3.7%	1,174	-0.5%
SEMIS	597	554	7.8%	581	2.8%
SEMIS HVA	97	102	-4.9%	81	19.8%
SBQ HVA	250	250	0.0%	279	-10.4%
Plate	33	59	-44.1%	70	-52.9%
Plate HVA	191	161	18.6%	164	16.5%
Total shipments, incl.:	1,562	1,658	-5.8%	1,716	-9.0%
Steel products HVA	538	513	4.9%	524	2.7%

Shipments by region

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Russia	533	481	10.8%	482	10.6%
Europe	277	166	66.9%	299	-7.4%
Asia	74	99	-25.3%	17	>100%
MENA	318	439	-27.6%	280	13.6%
Other	360	473	-23.9%	639	-43.7%
Total shipments	1,562	1,658	-5.8%	1,716	-9.0%

* Shipments from plants (deviation from sales figures is possible due to changes in traders' inventories and is treated as immaterial)

** Steel product categories include:

SEMIS – blum, cast squares, square billets from OEMK and cast billets from Ural Steel

SEMIS HVA – pipe billets from OEMK

SBQ HVA – long products, wire coils from OEMK

Plate – flat products from Ural Steel

Plate HVA – strips, construction plate and bridge steel products from Ural Steel

Appendix (continued)
Metalloinvest operational results – Mining segment
LGOK
Production by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Concentrate	5,414	5,020	7.8%	5,463	-0.9%
Pellets	2,229	2,195	1.5%	2,092	6.5%
HBI	1,240	1,191	4.1%	1,211	2.4%

Shipments by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Concentrate	2,789	2,429	14.8%	2,995	-6.9%
Pellets	413	448	-7.8%	301	37.2%
HBI	1,229	1,277	-3.8%	1,240	-0.9%
Other	105	126	-16.7%	85	23.5%
Total shipments	4,536	4,281	6.0%	4,621	-1.8%

Inc. intragroup shipments

Concentrate	1,847	1,558	18.5%	1,729	6.8%
Pellets	120	125	-4.0%	76	57.9%
HBI	176	100	76.0%	117	50.4%
Other	89	114	-21.9%	76	17.1%

MGOK
Production by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Sintering ore	460	414	11.1%	427	7.7%
Concentrate	4,189	4,168	0.5%	4,234	-1.1%
Pellets	3,971	3,613	9.9%	3,829	3.7%

Shipments by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Sintering ore	449	326	37.7%	380	18.2%
Concentrate	374	860	-56.5%	393	-4.8%
Pellets	3,726	3,527	5.6%	3,888	-4.2%
Total shipments	4,549	4,714	-3.5%	4,661	-2.4%

Inc. intragroup shipments

Sintering ore	112	0	n.a.	120	-6.7%
Concentrate	107	434	-75.3%	112	-4.5%

Pellets	465	514	-9.5%	554	-16.1%
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Appendix (continued)
Metalloinvest operational results – Steel segment
OEMK
Production by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Pellets	1,030	1,033	-0.3%	1,035	-0.5%
DRI	789	829	-4.8%	786	0.4%
Crude steel	854	851	0.4%	856	-0.2%

Shipments by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
DRI	44	47	-6.4%	37	18.9%
Steel products	815	805	1.2%	817	-0.2%
Total shipments	859	852	0.8%	854	0.6%

Ural Steel
Production by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Hot metal	684	678	0.9%	737	-7.2%
Crude steel	391	334	17.1%	404	-3.2%

Shipments by product

tonnes '000	Q2 2019	Q1 2019	Change	Q2 2018	Change
Pig iron	394	532	-25.9%	542	-27.3%
Steel products	353	321	10.0%	357	-1.1%
Total shipments	748	853	-12.3%	899	-16.8%



IR contacts

For any additional information, please do not hesitate to contact our Investor Relations & Corporate Ratings department or send an email to ir@metalloinvest.com.



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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 Holding Company USM LLC. Alisher Usmanov is the major beneficiary of Holding Company USM LLC (49%).