



УГМК
UMMC

URAL
MINING & METALLURGICAL
COMPANY

Precious Metals Market

(Analytic review)

The results of H1 2021

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Gold Market

Following the end of Q2 2021, the average gold price amounted to \$1,816 per troy ounce, which is 1.3% higher than compared to the end of Q1 2021 and is 6% higher than at the end of Q2 2020. Thus, at the end of H1 2021, gold price settled at around \$1,805 per troy ounce (up 9.7% YoY). Negative government bond yields provided some support for gold prices in Q2 2021. However, financial market participants' growing interest in risky assets along with quick recovery of global macroeconomic indicators are two main negative factors for the dynamics of gold prices.

Gold price behavior in 2020 - 2021, \$/ tr. oz.



Source: LBMA

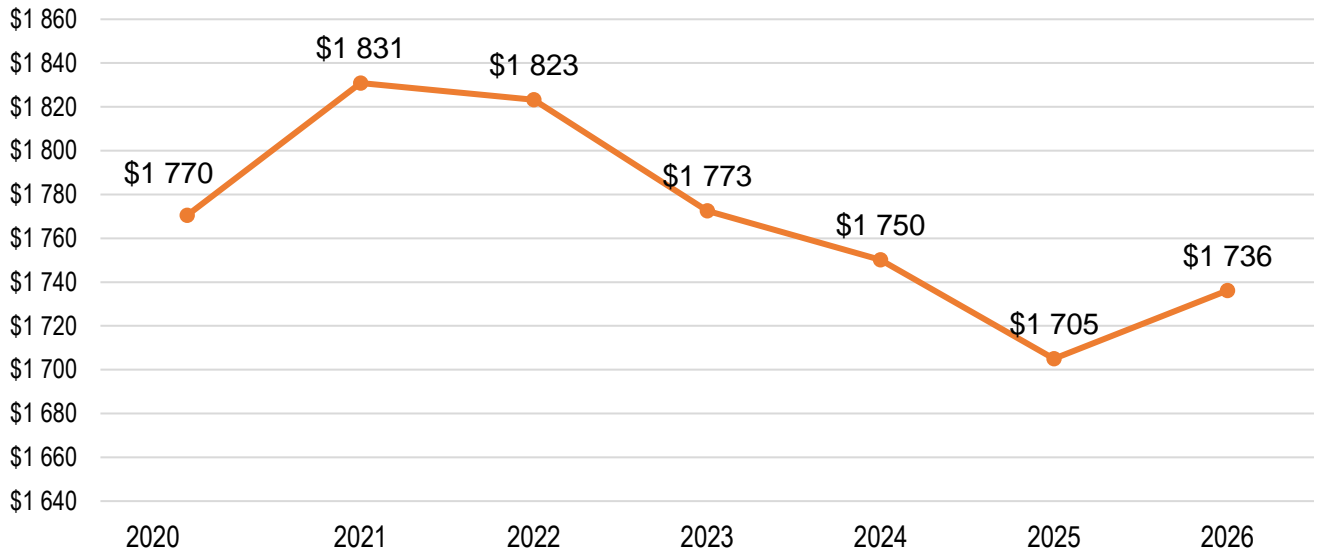
According to the World Gold Council, global gold demand in Q2 2021 amounted to 955 t, which is a 1% decrease year-on-year, but is a 9% growth compared to Q1 2021. The investment sector has made a major contribution of 284.5 t to demand growth in Q2. Industrial gold consumption remained at the level of 80 t. The world's central banks purchased 199.9 t of gold in Q2 2021, which is 43% higher than in Q1 2021.

World Gold Council reported that gold supply amounted to 1,171.7 t in Q2 2021, up 13% YoY. The main reason for the sustainable process of precious metal's mining was smooth operation of production facilities.

In the short term, gold demand will be supported by the investment sector due to rising inflation. At the same time, strengthening of the dollar and possible tightening of the FED's monetary policy, which is likely to occur in the fall of 2021, will remain the main risks for the dynamics of gold prices. Gold supply is expected to increase moderately by the end of the year due to stable production rates and commissioning of new mining sites.

According to the forecast, the average gold price in 2021 will be around \$1831/ tr. oz. However, it is expected to decline over the next three years due to future tightening of the Federal Reserve System's monetary policy.

Forecast values of gold prices, \$/ tr. oz.



Source: Consensus-forecast, companies' analysis

The Ministry of Finance of the Russian Federation reported that Russian gold production for the period from January to May 2021 amounted to 102.36 t, which is 2% lower year-on-year.

According to the Federal Customs Service, Russia exported 68.6 t of gold in Q2 2021, down 25% year-on-year. The volume of gold supplied to the UK (which is traditionally the main consumer of Russian precious metals) in Q2 2021 amounted to 64.2 t, which is 12% less than in Q2 2020. Gold exports in H1 2021 reached 120.3 t, down 1% year-on-year.

Silver Market

The average silver price in Q2 2021 was \$26.7/ tr. oz., up 63% from the Q2 2020 figure. In Q2 2021, silver price gained 2% compared to Q1 2021.

Trends in silver prices in 2020 - 2021, \$/ tr. oz.



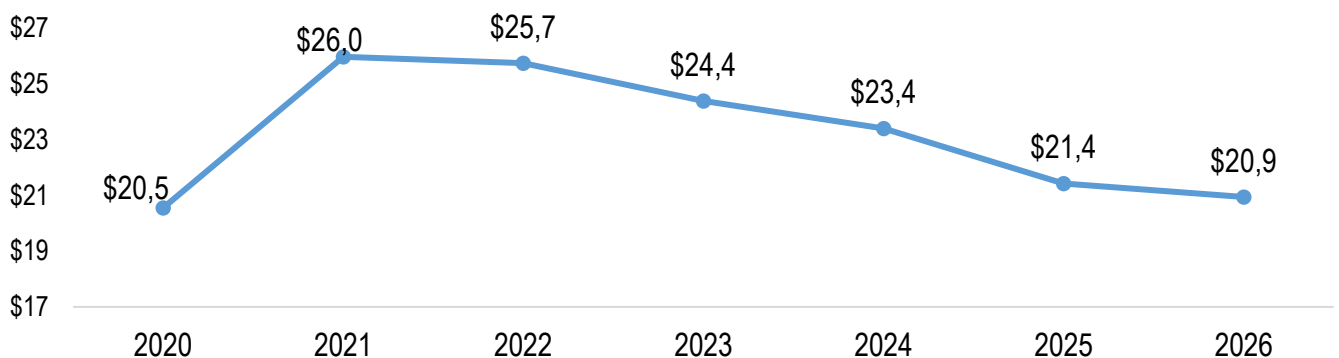
Source: LBMA

By the end of 2021, the Silver Institute expects an increase in global silver supply by 8% up to 1,056 Moz (32,845 t). According to the Silver Institute, mining volumes of this precious metal in 2021 will grow steadily and amount to 848.5 Moz (26,391 t). Stable operation of sites will be the main reason for the global increase in silver production.

At the same time, world consumption of silver will rise by 15% and reach 1,033 Moz (32,130 t). The Silver Institute expects that silver consumption by the industrial sector in 2021 will grow by 8% up to 524 Moz (16,298 t), whereas demand from the investment sector will gain 9% and amount to 252.8 Moz (7,838 t).

According to the forecast, the average silver price in 2021 will be around \$26/ tr. oz. However, it will decline over the next few years. The price of metal in 2021 will be supported by high demand from the investment sector and the electronics industry.

Forecast values of silver prices, \$/ tr. oz.



Source: Consensus-forecast, companies' analysis