



MMK GROUP TRADING UPDATE

FOR Q3 AND 9M 2020

13 OCTOBER 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 Q3 and 9M 2020.



HIGHLIGHTS

Q3 2020**VS Q2 2020**

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- Pig iron output increased by 13.9% quarter-on-quarter (q-o-q) to 2,379 thousand tonnes, driven by the recovery in steel demand and the completion of a major overhaul of Blast Furnace No. 2.
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- Steel output was up 22.2% q-o-q at 2,882 thousand tonnes due to business activity recovery and the launch of Hot-Rolling Mill 2500 in July after scheduled reconstruction completed in Q2.
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- MMK Group's total sales of finished products amounted to 2,742 thousand tonnes, up 23.3% q-o-q.
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- MMK Group's sales of HVA products totalled 1,341 thousand tonnes, up 16.5% q-o-q. The share of HVA products in total sales amounted to 48.9%. The increase in sales of HVA products in Q3 was driven by business activity recovery in Russia and the seasonal rise in demand for rolled products used in construction.
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- MMK Coal's coal concentrate production totalled 721 thousand tonnes, up 4.9% q-o-q due to higher yields for coking coal and stronger demand for concentrate at MMK.

HIGHLIGHTS

9M 2020**VS 9M 2019**

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- Pig iron output decreased by 7.9% year-on-year (y-o-y) to 6,823 thousand tonnes due to a longer period of scheduled maintenance at blast furnace facilities amid the coronavirus pandemic.
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- Steel output in 9M 2020 was down 12.0% y-o-y to 8,263 thousand tonnes, due to a lower consumption of steel during the scheduled reconstruction of Hot-Rolling Mill 2500 and a slowdown in business activity in Q2 2020 due to the pandemic outbreak.
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- MMK Group's total sales of finished products fell by 9.7% y-o-y to 7,710 thousand tonnes.
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- HVA product sales dropped by 9.1% y-o-y to 3,800 thousand tonnes. The share of HVA products in total sales decreased marginally to 49.3%.
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- Coal concentrate output in 9M 2020 amounted to 2,222 thousand tonnes, up by 17.4% y-o-y, due to the completion of a beneficiation plant upgrade, which took place throughout 2019.



MARKET OVERVIEW

Global steel products market: Driven by investment in infrastructure, China's economic recovery gave rise to high domestic demand and prices for rolled steel. Global prices for flat products and rebars returned to pre-pandemic levels in Q3. The rising global prices supported Turkey, which recorded a considerable increase in prices for flat products from the Q2 lows. The US and Europe showed a surge in prices in September: the shutdown of steelmaking capacities resulted in a supply gap in the rolled steel market during a slight recovery in demand in late Q3.

Russian steel products market: During Q3, Russian steelmakers took the lead in pricing on the domestic market for rolled products. The key price drivers in the Russian steel market in Q3 2020 included rising global prices, rouble depreciation, high feedstock costs and pent-up demand for steel products.

Global iron ore market: As in 2019, iron ore prices peaked in Q3, driven by high steel output rates in China. Brazil's iron ore exports started to rebound from the Q1 and Q2 lows, but for the most part of Q3, China's iron ore port inventories were shrinking, causing a feverish demand from Chinese plants and pushing prices up. In September, Chinese demand for rolled steel and iron ore slowed down, sending iron ore prices down.

Russian iron ore market: Supply slightly outpaces demand as Russian iron ore producers maintain high levels of capacity utilisation. In Q3, exports to China reached their highest level in recent years, with sales to Europe declining and demand in the Russian market trending higher. Base prices in Russia are following Chinese indices adjusted for changes in the USD/RUB rate, with discounts offered to domestic consumers for the greater part of 2020 remaining sufficiently stable overall.

Global coking coal market: In Q2 and Q3, commodity exporters were challenged by a sharp drop in steelmaking capacity utilisation rates in the developed economies and India. China's imports were also limited by annual coal import quotas. During that period, spot prices did not exceed USD 105–110 per tonne but soared to USD 135–140 per tonne in September driven by growing prices for steel products and recovering demand outside China.

Russian coking coal market: Russia has long been a buyer's market, consistently putting downward pressure on prices since mid-2019, reaching their lows in Q3 2020. A surge in global spot prices and a much stronger dollar have helped Russian coal companies to recover ground starting from Q4.

Russian metal scrap market: During 2020, scrap prices in Russia were extremely volatile as scrap collection and demand from steelmakers were largely unpredictable. In Q3, Russian scrap prices were on a steady uptrend following the lead of global and Russian steel prices but hit their seasonal peak by the start of Q4.



MMK GROUP'S CONSOLIDATED RESULTS

| thousand tonnes | Q3 2020 | Q2 2020 | % | 9M 2020 | 9M 2019 | % |
|---|--------------|---------|-------|--------------|---------|-------|
| Crude steel production | 2,882 | 2,358 | 22.2 | 8,263 | 9,392 | -12.0 |
| Pig iron production | 2,379 | 2,089 | 13.9 | 6,823 | 7,409 | -7.9 |
| Coal concentrate production | 721 | 687 | 4.9 | 2,222 | 1,893 | 17.4 |
| Iron ore production | 811 | 787 | 3.0 | 2,255 | 2,091 | 7.9 |
| Finished product sales, including: | 2,742 | 2,223 | 23.3 | 7,710 | 8,535 | -9.7 |
| Semi-finished products | 0 | 20 | - | 20 | 0 | - |
| Long products | 349 | 272 | 28.4 | 977 | 1,039 | -6.0 |
| Flat hot-rolled products | 1,052 | 781 | 34.7 | 2,913 | 3,314 | -12.1 |
| HVA products, including: | 1,341 | 1,151 | 16.5 | 3,800 | 4,181 | -9.1 |
| Thick plate (Mill 5000) | 195 | 213 | -8.5 | 639 | 824 | -22.4 |
| Flat cold-rolled products | 226 | 192 | 17.9 | 663 | 746 | -11.1 |
| Downstream products, including: | 919 | 745 | 23.3 | 2,498 | 2,611 | -4.4 |
| Tin plate | 44 | 45 | -0.4 | 131 | 111 | 18.0 |
| Galvanised steel | 454 | 377 | 20.4 | 1,275 | 1,387 | -8.1 |
| Polymer-coated steel | 220 | 157 | 40.6 | 517 | 516 | 0.2 |
| Band | 29 | 28 | 6.4 | 89 | 87 | 2.2 |
| Formed section | 20 | 23 | -12.6 | 87 | 128 | -31.9 |
| Pipe | 28 | 18 | 52.6 | 59 | 41 | 46.4 |
| Metalware | 109 | 90 | 20.3 | 307 | 299 | 2.6 |
| Other metal products | 14 | 8 | 83.0 | 33 | 43 | -24.4 |
| Share of HVA products | 48.9% | 51.8% | | 49.3% | 49.0% | |



CONSOLIDATED PRICES FOR METAL PRODUCTS

| USD/tonne | Q3 2020 | Q2 2020 | % | 9M 2020 | 9M 2019 | % |
|---------------------------------|------------|---------|------|------------|---------|-------|
| Average price per tonne: | 535 | 522 | 2.5 | 551 | 644 | -14.4 |
| Semi-finished products | - | 255 | - | 255 | 0 | - |
| Long products | 453 | 439 | 3.2 | 465 | 539 | -13.7 |
| Flat hot-rolled products | 439 | 414 | 6.0 | 462 | 551 | -16.2 |
| HVA products, including: | 633 | 618 | 2.4 | 643 | 745 | -13.7 |
| Thick plate (Mill 5000) | 554 | 536 | 3.4 | 596 | 735 | -18.9 |
| Flat cold-rolled products | 517 | 535 | -3.4 | 553 | 634 | -8.0 |
| Downstream products, including: | 678 | 664 | 2.1 | 678 | 779 | -12.8 |
| Tin plate | 696 | 702 | -0.9 | 722 | 813 | -11.2 |
| Galvanised steel | 679 | 630 | 7.8 | 655 | 740 | -11.5 |
| Polymer-coated steel | 760 | 790 | -3.8 | 786 | 914 | -14.0 |
| Band | 567 | 593 | -4.4 | 610 | 698 | -12.6 |
| Formed section | 571 | 600 | -4.8 | 675 | 794 | -15.0 |
| Pipe | 494 | 514 | -3.9 | 514 | 595 | -13.6 |
| Metalware | 593 | 637 | 6.9 | 629 | 752 | -16.4 |
| Other metal products | 713 | 668 | 6.7 | 695 | 812 | -14.4 |

+2.5% q-o-q

AVERAGE SELLING PRICE

The average selling price in US dollars grew by 2.5% q-o-q in Q3 2020 to USD 535 per tonne. Prices were bolstered by business activity recovery after the removal of lockdown restrictions and an increase in global hot-rolled prices. The 14.4% y-o-y fall in the average selling price in 9M 2020 was caused by a drop in global steel prices.



MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

| thousand tonnes | Q3 2020 | Q2 2020 | % | 9M 2020 | 9M 2019 | % |
|---|--------------|---------|-------|--------------|---------|-------|
| Crude steel production | 2,882 | 2,358 | 22.2 | 8,263 | 9,392 | -13.2 |
| Pig iron production | 2,379 | 2,089 | 13.9 | 6,823 | 7,409 | -7.9 |
| Finished product sales, including: | 2,617 | 2,122 | 23.3 | 7,336 | 8,261 | -11.2 |
| Semi-finished products | 0 | 20 | - | 20 | 0 | - |
| Long products | 349 | 272 | 28.4 | 977 | 1,039 | -6.0 |
| Flat hot-rolled products | 1,112 | 831 | 33.8 | 3,038 | 3,587 | -15.3 |
| HVA products, including: | 1,156 | 1,000 | 15.7 | 3,301 | 3,635 | -9.2 |
| Thick plate (Mill 5000) | 195 | 213 | -8.5 | 639 | 824 | -22.5 |
| Flat cold-rolled products | 237 | 192 | 23.3 | 673 | 743 | -9.4 |
| Downstream products, including: | 725 | 594 | 21.9 | 1,989 | 2,068 | -3.8 |
| Tin plate | 44 | 45 | -0.4 | 131 | 111 | 18.0 |
| Galvanised steel | 321 | 265 | 21.1 | 897 | 952 | -5.8 |
| Polymer-coated steel | 159 | 118 | 35.2 | 386 | 408 | -5.4 |
| Band | 29 | 28 | 6.4 | 89 | 87 | 2.3 |
| Formed section | 20 | 23 | -12.6 | 87 | 128 | -32.0 |
| Pipe | 28 | 18 | 52.6 | 59 | 41 | 43.9 |
| Metalware | 109 | 90 | 20.3 | 307 | 299 | 2.7 |
| Other metal products | 14 | 8 | 82.7 | 32 | 43 | -25.6 |
| Share of HVA products | 44.2% | 47.1% | | 45.0% | 44.0% | |

+23.3% q-o-q

SALES OF FINISHED
PRODUCTS

+28.4% q-o-q

SALES OF LONG PRODUCTS

Sales of finished products in Q3 2020 grew by 23.3% q-o-q to 2,617 thousand tonnes due to a recovery in business activity and the launch of Hot-Rolling Mill 2500 in July. The decrease in product sales in 9M 2020 by 11.2% y-o-y to 7,336 thousand tonnes was driven by longer scheduled maintenance and worsening market environment on the back of the coronavirus pandemic.

The 28.4% q-o-q rise in long product sales in Q3 2020 to 349 thousand tonnes was primarily driven by construction project restarts and seasonality. Year-on-year, sales were down 6.0% to 977 thousand tonnes in 9M 2020, reflecting the slowdown in business activity.

+33.8% q-o-q

SALES OF HOT-ROLLED PRODUCTS

The volume of sales of hot-rolled products in Q3 2020 increased by 33.8% q-o-q to 1,112 thousand tonnes. This was mostly due to the launch of Hot-Rolling Mill 2500 in July after its scheduled reconstruction. Year-on-year, sales of hot-rolled products dropped by 15.3% to 3,038 thousand tonnes in 9M 2020, affected by longer scheduled maintenance.

+15.7% q-o-q

SALES OF HVA PRODUCTS

In Q3 2020, sales of HVA products were up by 15.7% to 1,156 thousand tonnes, and their share of total sales reached 44.2%. Year-on-year, sales of HVA products were down 9.2% to 3,301 thousand tonnes in 9M 2020, while their share of total sales grew to 45.0%. The major drivers of the change were a decline in sales of Mill 5000 thick plate and the slowdown in business activity.

-8.5% q-o-q

SALES OF MILL 5000 PRODUCTS

The 8.5% decrease in sales volumes of Mill 5000 products q-o-q to 195 thousand tonnes was due to a more complex product mix. The 22.5% y-o-y decline in Mill 5000 thick plate sales to 639 thousand tonnes in 9M 2020 was mainly due to changes in order backlog amid a 100% capacity utilisation rate.

+23.3% q-o-q

SALES OF COLD-ROLLED PRODUCTS

Sales of cold-rolled products in Q3 2020 were up 23.3% q-o-q to 237 thousand tonnes, impacted by higher demand from automotive, metalworking and rerolling manufacturers. Year-on-year, sales were down 9.4% to 673 thousand tonnes in 9M 2020, due to the major slowdown in business activity along with an accident at the reverse Cold-Rolling Mill 1700 in February 2020.

-0.4% q-o-q

SALES OF TIN PLATE

In Q3 2020, tin plate sales decreased by 0.4% to 44 thousand tonnes, while the capacity utilisation rate remains at 100%. The 18.0% y-o-y growth in tin plate sales in 9M 2020 to 131 thousand tonnes reflects a higher demand from the food industry.

+21.1% q-o-q

SALES OF GALVANISED STEEL

The increase in the sales volumes of galvanised steel in Q3 2020 by 21.1% q-o-q to 321 thousand tonnes was due to a recovery in business activity and higher demand for rolled products used in construction. Year-on-year, sales declined by 5.8% to 897 thousand tonnes in 9M 2020.

+35.2% q-o-q

SALES OF POLYMER-COATED STEEL

In Q3 2020, sales of polymer-coated steel grew by 35.2% q-o-q to 159 thousand tonnes, driven by a seasonal growth in demand. Year-on-year, sales of polymer-coated steel declined by 5.4% in 9M 2020 to 386 thousand tonnes, reflecting the difficult market environment.



STEEL SEGMENT TURKEY

| thousand tonnes | Q3 2020 | Q2 2020 | % | 9M 2020 | 9M 2019 | % |
|---|--------------|---------|------|--------------|---------|-------|
| Finished product sales, including: | 200 | 154 | 29.4 | 521 | 561 | -7.1 |
| Flat hot-rolled products | 5 | 3 | 61.2 | 12 | 14 | -9.2 |
| HVA products, including: | 194 | 151 | 28.7 | 509 | 547 | -6.9 |
| Flat cold-rolled products | - | - | - | - | 4 | - |
| Downstream products, including: | 194 | 151 | 28.7 | 509 | 543 | -6.4 |
| Galvanised steel | 133 | 112 | 18.8 | 378 | 435 | -13.1 |
| Polymer-coated steel | 61 | 39 | 57.1 | 131 | 108 | 20.7 |
| Share of HVA products | 97.4% | 97.9% | | 97.6% | 97.6% | |
| Intersegment sales from Steel segment Russia | 75 | 53 | 41.5 | 147 | 288 | -49.0 |

+29.4% q-o-q

SALES OF FINISHED PRODUCTS

The Turkish steel segment's sales of finished products in Q3 2020

were up 29.4% q-o-q at 200 thousand tonnes, due to the combined effects of the removal of lockdown restrictions, pent-up demand and business activity recovery in Turkey. In Q3 2020, the Turkish steel segment increased polymer-coated steel sales by 57.1% to 61 thousand tonnes to benefit from the higher margins offered by this product in the current market environment.

The 7.1% y-o-y decline in 9M 2020 sales to 521 thousand tonnes

was mainly due to the spread of the pandemic in Turkey and globally. At the same time, polymer-coated steel sales grew by 20.7% y-o-y to 131 thousand tonnes in 9M 2020, reflecting the Turkish steel segment's strategy to boost sales of high-margin products.

COAL MINING SEGMENT

| thousand tonnes | Q3 2020 | Q2 2020 | % | 9M 2020 | 9M 2019 | % |
|--------------------------------|--------------|---------|-------|--------------|---------|-------|
| Coking coal mining | 965 | 909 | 6.1 | 3,108 | 3,483 | -10.8 |
| Coking coal processing | 1,242 | 1,202 | 3.3 | 3,886 | 3,429 | 13.4 |
| Mined | 1,149 | 1,061 | 8.3 | 3,568 | 3,171 | 12.5 |
| Purchased | 93 | 141 | -33.7 | 318 | 244 | 30.6 |
| Toll | - | - | - | - | 14 | - |
| Coking coal concentrate | 721 | 687 | 4.9 | 2,222 | 1,893 | 17.4 |

+6.1% q-o-q

COKING COAL PRODUCTION

Coking coal production in Q3 2020 amounted to 965 thousand tonnes, an increase of 6.1% q-o-q, on the back of the completion of face transfer operations. Year-on-year, coking coal production was down 10.8% to



3,108 thousand tonnes in 9M 2020, due to the challenging geological conditions at the Chertinskaya-Koksovaya mine and the suspension of mine operations due to an accident in September.

+4.9% q-o-q

COAL CONCENTRATE PRODUCTION

Coal concentrate production in Q3 2020 grew by 4.9% q-o-q to 721 thousand tonnes, driven by higher yields for coking coal and stronger demand for concentrate. The 17.4% y-o-y growth in coal concentrate output to 2,222 thousand tonnes in 9M 2020 was driven by the completion of a beneficiation plant upgrade, which took place throughout 2019.

MMK GROUP'S SUSTAINABILITY PERFORMANCE (ESG)

HIGHLIGHTS

- In Q3, MMK Group established the ESG department. The department will be responsible for all stakeholder communications as well as the development and execution of the Group's sustainability strategy.
- 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, 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.

| | Q3 2020 | Q2 2020 | % | 9M 2020 | 9M 2019 | % |
|---|--------------|---------|-------|--------------|---------|-------|
| LTIFR | 0.62 | 0.29 | 113.8 | 0.67 | 0.93 | -28.0 |
| Gross air emissions, thousand tonnes | 45.4 | 38.7 | 17.3 | 122.8 | 147.7 | -16.9 |
| Specific air emissions, kg/tonne | 17.68 | 17.83 | -0.8 | 16.86 | 17.68 | -4.6 |

-28.0% y-o-y

LTIFR

In 9M 2020, lost-time-injury frequency rate (LTIFR) decreased year-on-year by 28.0% to 0.67, 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.

-4.6% y-o-y

SPECIFIC AIR EMISSIONS

Specific air emissions in 9M 2020 were down 4.6% y-o-y to 16.86 kg/tonne, driven by 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. In Q3 2020, specific air emissions decreased by 0.8% q-o-q to 17.68 kg/tonne on the back of higher levels of metal product output.



COVID-19 RESPONSE

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- The COVID-19 response centre established at MMK and led by the CEO has continued to operate. In line with all the measures launched in spring, office employees work remotely, the number of personnel at production sites is reduced, and shifts are separated by pauses.
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- The Group continuously monitors the situation and takes all necessary steps to prevent the spread and reduce the risk of coronavirus infection.

OUTLOOK

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- The pent-up demand from the construction industry along with the government economic stimulus packages are expected to bolster sales in Q4 2020.
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- Higher utilisation of Hot-Rolling Mill 2500's capacity in Q4 2020 will additionally support MMK Group sales.
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- The Group will continue its strategy to maximise utilisation of high-margin production units.
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- Amid the stabilisation of hot-rolled coil prices in the Black Sea region, domestic prices in Q4 are expected to remain flat from the previous quarter.
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- CAPEX for Q4 2020 is expected to grow q-o-q, in line with the implementation schedule for projects pursued as part of the Group's strategy.
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- Operational excellence initiatives under the Evolution Business System will further boost Group performance in Q4 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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INVESTOR RELATIONS DEPARTMENT

Veronika Kryachko
+7 915 380 6266
kryachko.vs@mmk.ru

ESG DEPARTMENT

Yaroslava Vrubel
+7 982 282 9682
vrubel.ys@mmk.ru

COMMUNICATIONS DEPARTMENT

Dmitry Kuchumov
+7 985 219 2874
kuchumov.do@mmk.ru

Oleg Egorov
+7 903 971 8837
egorov.oa@mmk.ru

KEY UPCOMING EVENTS IN 2020

FINANCIAL CALENDAR

| | |
|-----------------------------------|---|
| 22 October | Q3 and 9M 2020 IFRS financials |
| 29 October– 3 November | Moscow Exchange Forum, virtual |
| 9-11 November | GS, 12th CEEMEA 1x1 Conference, virtual |
| 9-13 November | Renaissance Capital, 25th anniversary EM & FM conference, virtual |
| 23-24 November | Non-deal roadshow, virtual |