



MMK GROUP TRADING UPDATE

FOR Q3 AND 9M 2021

13 OCTOBER 2021
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 2021.



HIGHLIGHTS

**Q3 2021
VS Q2 2021**

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- Pig iron output decreased slightly, by 0.6% quarter-on-quarter (q-o-q), to 2,624 thousand tonnes.
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- Steel output remained flat quarter-on-quarter at 3,390 thousand tonnes, reflecting favourable market conditions and the launch of the electric arc furnace facility at the Turkish asset.
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- MMK Group's sales of steel products totalled 2,761 thousand tonnes, down 16.8% q-o-q, driven by an increase in exports with longer delivery lead times.
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- Sales of the Group's premium products were down 12.9% to 1,213 thousand tonnes, driven by the scheduled overhaul of Mill 5000 and growth in exports of cold-rolled and galvanised steel with longer delivery lead times.
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- MMK Coal's coal concentrate production moderately declined quarter-on-quarter to 867 thousand tonnes.

HIGHLIGHTS

**9M 2021
VS 9M 2020**

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- Pig iron output increased by 14.8% year-on-year (y-o-y) to 7,836 thousand tonnes as blast furnace operations were not being overhauled during this period.
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- Steel output increased by 22.1% y-o-y to 10,091 thousand tonnes, as no overhauls took place at converter facilities, as well as the completion of Hot-Rolling Mill 2500's modernisation.
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- MMK Group's sales of finished products increased by 16.5% y-o-y to 8,985 thousand tonnes, driven by favourable market conditions and the high utilisation rate of Mill 2500 after its modernisation.
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- Sales of premium products slightly decreased year-on-year to 3,770 thousand tonnes on the back of the scheduled overhaul of Mill 5000.
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- Production of coal concentrate increased by 15.1% y-o-y to 2,557 thousand tonnes, driven by stronger demand from MMK amid favourable market conditions.



MARKET OVERVIEW

Global steel products market: In Q3 2021, global steel supply continued to grow while consumer demand slackened to moderate. Prices for flat products in the Black Sea region have begun to retrace. In July and August, China's steel output decreased in line with the government's plans to keep output flat year-on-year, with the lower steel supply from this country benefitting global competition.

Russian steel products market: In Russia, prices in the spot market for rolled steel were slipping quite fast throughout the third quarter, mainly due to a drop in exports amid the introduction of temporary export duties from August until the year-end and due to a slowdown in business activity at the domestic market.

Global iron ore market: In the third quarter, the 62% Fe index halved to USD 100–120 per tonne CFR China. Caps on steel output introduced in China this year drove a year-on-year decrease in output by close to 10 million tonnes a month in 2H 2021, creating a glut in the previously undersupplied spot market for iron ore while also undermining the outlook for raw material demand until at least December 2021.

Russian iron ore market: In the third quarter, demand for raw materials in Russia slightly weakened as the temporary duties on Russian steel products led to lower capacity utilisation by some steel mills. Meanwhile, exports of quality iron ore from Russia (blast furnace pellets and direct reduced iron pellets) to international markets remained strong, with Russian exporters able to sell in large volumes in these segments.

Global coking coal market: In the third quarter, spot coking coal prices grew rapidly, driven by even more pronounced shortages of premium grades in China and a deteriorating lack of raw materials for consumers from other countries. Almost all coking coal exporters except Russia faced a range of problems with production, processing and logistics. Due to these shortages, indices for most coal grades almost doubled during the third quarter.

Russian coking coal market: Driven by the global market, Russian prices grew 50%–70% in the third quarter, but the effect of the global price rise is not over yet, and domestic prices are expected to hit record highs. In the fourth quarter, the price growth may prove even stronger amid the competing trends in coal and rolled steel pricing.

Russian metal scrap market: The downward trend in scrap prices dominated in the Russian market in the third quarter, following the trends in regional steel product prices. As major Russian mills have generally completed their stockpiling of raw materials for the winter, scrap prices are expected to continue declining in the fourth quarter.



MMK GROUP'S CONSOLIDATED RESULTS

thousand tonnes	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Crude steel production	3,390	3,401	- 0.3	10,091	8,263	22.1
Steel segment Russia	3,331	3,401	- 2.1	10,033	8,263	21.4
Steel segment Turkey	59	-	-	59	-	-
Pig iron production	2,624	2,640	- 0.6	7,836	6,823	14.8
Coal concentrate production	867	874	- 0.8	2,557	2,222	15.1
Iron ore production	802	790	1.5	2,222	2,255	- 1.5
Finished products sales, including:	2,761	3,320	- 16.8	8,985	7,710	16.5
Slabs and billets	45	74	- 39.3	172	20	774.6
Long products	249	316	- 21.4	834	977	- 14.7
Flat hot-rolled products	1,255	1,538	- 18.4	4,220	2,913	44.9
Premium products, including:	1,213	1,392	- 12.9	3,770	3,800	- 0.8
Thick plate (Mill 5000)	164	251	- 35.0	580	639	- 9.3
Flat cold-rolled products	186	203	- 8.5	573	663	- 13.6
Downstream products, including:	875	938	- 6.7	2,617	2,498	4.8
Tinplate	42	43	- 2.1	129	131	- 1.3
Galvanised steel	514	538	- 4.5	1,490	1,275	16.9
Polymer-coated steel	131	158	- 17.1	439	517	- 15.1
Band	30	35	- 13.7	100	89	12.9
Formed section	21	17	22.3	64	87	- 25.8
Pipe	14	24	- 41.1	51	59	- 13.6
Metalware	109	118	- 7.8	333	307	8.5
Other metal products	2	4	- 48.2	10	33	- 68.9
Share of premium products	43.9%	41.9%		42.0%	49.3%	



CONSOLIDATED PRICES FOR METAL PRODUCTS

USD/tonne	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Average price per tonne:	1,057	944	12.0	904	551	64.1
Slabs and billets	612	626	- 2.2	604	255	136.9
Long products	845	762	10.9	745	465	60.2
Flat hot-rolled products	942	880	7.0	817	462	76.8
Premium products, including:	1,237	1,073	15.3	1,052	643	63.6
Thick plate (Mill 5000)	918	746	23.1	772	596	29.5
Flat cold-rolled products	1,088	989	10.0	938	553	69.6
Downstream products, including:	1,329	1,179	12.7	1,139	678	68.0
Tinplate	1,109	849	30.6	897	722	24.2
Galvanised steel	1,356	1,198	13.2	1,151	655	75.7
Polymer-coated steel	1,605	1,482	8.3	1,395	786	77.5
Band	1,207	1,028	17.4	1,000	610	63.9
Formed section	1,156	1,149	0.6	1,038	675	53.8
Pipe	1,004	969	3.6	915	514	78.0
Metalware	1,058	893	18.5	926	629	47.2
Other metal products	1,763	1,426	23.6	1,449	695	108.5

+ 12.0% q-o-q

AVERAGE SELLING PRICE

Average selling prices for Q3 2021 grew by 12.0% q-o-q to USD 1,057 per tonne amid the ongoing upward trend in global prices for metal products. Year-on-year, prices grew by 64.1% to USD 904 per tonne, driven by favourable market dynamics and due to last year's low base.



MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

thousand tonnes	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Crude steel production	3,331	3,401	- 2.1	10,033	8,263	21.4
Pig iron production	2,624	2,640	- 0.6	7,836	6,823	14.8
Finished products sales, including:	2,692	3,288	- 18.1	8,833	7,336	20.4
Slabs and billets	45	74	- 39.3	172	20	774.6
Long products	249	316	- 21.4	834	977	- 14.7
Flat hot-rolled products	1,396	1,721	- 18.9	4,687	3,038	54.3
Premium products, including:	1,014	1,177	- 14.8	3,141	3,301	- 4.9
Thick plate (Mill 5000)	164	251	- 35.0	580	639	- 9.3
Flat cold-rolled products	199	203	- 2.1	586	673	- 13.0
Downstream products, including:	641	723	- 11.3	1,975	1,989	- 0.7
Tinplate	42	43	- 2.1	129	131	- 1.3
Galvanised steel	325	350	- 7.3	945	897	5.4
Polymer-coated steel	97	131	- 25.6	353	386	- 8.5
Band	30	35	- 13.7	100	89	12.9
Formed section	21	17	22.3	64	87	- 25.8
Pipe	14	24	- 41.1	51	59	- 13.6
Metalware	109	118	- 7.8	324	307	5.6
Other metal products	2	4	- 49.4	8	32	- 76.1
Share of premium products	37.3%	35.8%		35.6%	45.0%	

- 18.1% q-o-q

SALES OF FINISHED PRODUCTS

Sales of finished steel products in Q3 2021 were down 18.1% q-o-q to 2,692 tonnes, due to the increase in exports with longer delivery lead times. The 20.4% y-o-y increase in sales to 8,833 thousand tonnes in Q3 2021 was due to the completion of Hot-Rolling Mill 2500's modernisation.

- 21.4% q-o-q

SALES OF LONG PRODUCTS

Sales of long products in Q3 2021 were down 21.4% q-o-q to 249 thousand tonnes reflecting a slowdown in business activity and replenishment of inventories. Year-on-year, sales decreased by 14.7% to 834 thousand tonnes amidst scheduled repairs of rolling equipment.

- 18.9% q-o-q

SALES OF HOT-ROLLED PRODUCTS

Sales of hot-rolled products decreased 18.9% q-o-q in Q3 2021 to 1,396 thousand tonnes, due to the increase in exports with longer delivery lead times. The 54.3% y-o-y increase in sales for 9M 2021 to 4,687 thousand tonnes was driven by the production growth at Hot-Rolling Mill 2500 following its modernisation.

**- 14.8%** q-o-q

SALES OF PREMIUM PRODUCTS

Sales of premium products in Q3 2021 decreased by 14.8% q-o-q to 1,014 thousand tonnes due to the increase in exports with longer delivery lead times. The share of premium products grew to 37.3% of the sales portfolio. Year-on-year, sales decreased by 4.9% to 3,141 thousand tonnes as inventories were being replenished.

- 35.0% q-o-q

SALES OF MILL 5000 PRODUCTS

Sales volumes of thick plates from Mill 5000 were down 35.0% q-o-q to 164 thousand tonnes, held back by the scheduled overhaul during the quarter. Y-o-y sales for 9M 2021 fell 9.3% to 580 thousand tonnes, following a change in the order mix and equipment repairs.

- 2.1% q-o-q

SALES OF COLD-ROLLED PRODUCTS

Sales of cold-rolled products in Q3 2021 were down by 2.1% q-o-q to 199 thousand tonnes, due to an increase in exports. The 13.0% y-o-y decrease in sales for 9M 2021 to 586 thousand tonnes was due to higher sales of coated steel amid higher margins and the replenishment of inventories.

- 2.1% q-o-q

SALES OF TINPLATE

Sales of tinplate in Q3 2021 decreased by 2.1% q-o-q to 42 thousand tonnes amid ongoing highs in equipment utilisation. Sales of tinplate for 9M 2021 decreased slightly year-on-year to 129 thousand tonnes.

- 7.3% q-o-q

SALES OF GALVANISED STEEL

The decrease in the sales of galvanised steel in Q3 2021 by 7.3% q-o-q to 325 thousand tonnes was due to the increase in exports with longer delivery lead times. For 9M 2021, sales increased by 5.4% y-o-y to 945 thousand tonnes, supported by favourable market conditions.

- 25.6% q-o-q

SALES OF POLYMER-COATED STEEL

Sales of polymer-coated steel decreased by 25.6% q-o-q to 97 thousand tonnes, reflecting last quarter's high base and slowdown in the business activity of major consumers. Year-on-year, sales were down 8.5% to 353 thousand tonnes, due to the increase in sales of galvanised steel promising higher margins.



STEEL SEGMENT TURKEY

thousand tonnes	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Crude steel production	59	-	-	59	-	-
Finished products sales, including:	249	221	12.9	665	522	27.7
Flat hot-rolled products	26	6	359.0	35	12	181.6
Premium products, including:	223	215	3.6	631	509	24.0
Flat cold-rolled products	-	-	-	-	-	-
Downstream products, including:	223	215	3.6	631	509	24.0
Galvanised steel	189	187	0.8	545	378	44.1
Polymer-coated steel	34	27	23.2	86	131	- 34.5
Share of premium products	89.4%	97.4%		94.8%	97.6%	
Intersegment sales from Steel segment Russia	180	189	- 4.6	514	147	249.3

+ 12.9% q-o-q

SALES OF FINISHED PRODUCTS

The sales of finished products in the Turkish steel segment in Q3 2021 were up 12.9% q-o-q to 249 thousand tonnes, reflecting the favourable market conditions and the launch of the hot-rolling complex in July. At the same time, exports remained high and exceeded domestic sales in Turkey.

Sales were up 27.7% y-o-y to 665 thousand tonnes driven by the release of pent-up demand that built up throughout the pandemic and the lockdown restrictions of 2020.

COAL MINING SEGMENT

thousand tonnes	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Coking coal mining	1,232	1,098	12.3	3,612	3,168	14.0
Coking coal processing	1,483	1,496	- 0.9	4,336	3,886	11.6
Mined	1,206	1,068	12.9	3,452	3,568	- 3.3
Purchased	212	358	- 40.8	683	318	114.6
Toll	66	70	- 6.6	201	-	-
Coking coal concentrate	867	874	- 0.8	2,557	2,222	15.1

+ 12.3% q-o-q

COKING COAL PRODUCTION

Coking coal production in Q3 2021 amounted to 1,232 thousand tonnes, up 12.3% y-o-y, due to the completion of face transfer operations at the Kostromovskaya mine. Coking coal production increased by 14.0% y-o-y to 3,612 thousand tonnes as MMK's demand for concentrate grew.



- 0.8% Q-o-Q

COKING COAL CONCENTRATE
PRODUCTION

Coking coal concentrate production in Q3 2021 slightly increased quarter-on-quarter to 867 thousand tonnes. Coal concentrate production was up 15.1% y-o-y to 2,557 thousand tonnes amid higher demand from MMK.

MMK GROUP'S SUSTAINABILITY PERFORMANCE (ESG)

HIGHLIGHTS

- In August 2021, MMK's sustainability report made it into the top five among global steelmakers. The ESG Reporting Awards 2021 by ESG Investing recognised MMK Group's non-financial reporting among the world's best in the Metals & Mining category.
- On 19 August 2021, MMK published its full ESG Data Pack affirming its commitment to openness and transparency in engagements with all external communities, from buyers and suppliers to investors, authorities, employees and other stakeholders.
- On 16 September 2021, MMK and SMS group GmbH signed a Memorandum of Understanding that states both companies' intention to cooperate in order to reduce – potentially to zero – CO2 emissions.

	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
LTIFR	0.61	1.16	- 47.4	0.78	0.67	16.4
Gross air emissions, thousand tonnes	47.2	46.6	1.3	141.4	122.8	15.1
Specific air emissions, kg/tonne	14.2	13.7	3.4	14.1	14.9	- 5.1

+ 16.4% Y-o-Y

LTIFR

The LTIFR for 9M 2021 increased by 16.4% y-o-y to 0.78, reflecting an increase in the number of minor industrial accidents like «falling from the height of their own» in the spring-winter period. The Group continues to implement initiatives to address the root causes of accidents and improve the production safety culture.

- 5.1% Y-o-Y

SPECIFIC AIR EMISSIONS

Specific air emissions for 9M 2021 decreased by 5.1% y-o-y to 14.1 kg per tonne, driven by an increase in the share of scrap in the charge on the back of increased steel output by the EAF Shop.

Specific air emissions increased by 3.4% to 14.2 kg per tonne due to an increase in sinter production as no equipment repairs were carried out during the quarter.



OUTLOOK

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- A retracement started in the global market coupled with the seasonal business slowdown in Russia, will exert pressure on the Group's sales in the fourth quarter. However, the increase in output by the Turkish asset will support sales.
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- High utilisation of equipment that manufactures premium products will be beneficial for the Group's sales portfolio, including an increase in capacity utilisation rate of Mill 5000 amid higher demand from pipe industry.
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- CAPEX for Q4 2021 is expected to grow q-o-q, in line with the implementation schedule for projects pursued under the Group's strategy.
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- Operational excellence measures implemented under MMK's updated strategic initiatives will further boost the Group's profitability in Q4 2021.



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 premium products. In 2020, MMK produced 11.6 mln tonnes of crude steel and sold 10.8 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margins. Group revenue in 2020 totalled USD 6,395 mln, with an EBITDA of USD 1,492 mln. MMK boasts the industry's lowest debt burden. Net debt/EBITDA ratio was -0.06x at the end of 2020. 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 20.2%.

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KEY UPCOMING EVENTS IN 2021

FINANCIAL CALENDAR

25 October	Q3 and 9M 2021 IFRS financials
26-28 October	Non-deal roadshow (NDR), online