



MMK GROUP TRADING UPDATE

FOR Q1 2021

14 APRIL 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 Q1 2021.



HIGHLIGHTS

Q1 2021**VS Q4 2020**

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- Pig iron output increased by 2.0% quarter-on-quarter (q-o-q) to 2,572 thousand tonnes, driven by the continuing high steel demand.
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- Steel output remained broadly flat q-o-q at 3,300 thousand tonnes, reflecting favourable market conditions.
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- MMK Group's sales of finished products totalled 2,904 thousand tonnes, down 4.6% q-o-q due to the build-up of metal products inventories ahead of the construction season.
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- The Group's sales of premium products fell by 14.1% to 1,154 thousand tonnes due to the restocking ahead of the construction season and a decrease in Steel Turkey segment's sales.
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- MMK Coal's coal concentrate production amounted to 815 thousand tonnes, down 2.6% q-o-q due to convention loading restrictions and preparation of faces for re-mounting.

HIGHLIGHTS

Q1 2021**VS Q1 2020**

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- Pig iron output increased by 9.2% q-o-q due to the absence of overhauls in blast furnace operations during the quarter.
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- Steel output increased by 9.2% q-o-q, which was due to the absence of overhauls at converter facilities and completion of modernisation of Hot-Rolling Mill 2500.
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- MMK Group's sales of finished products increased by 5.8% year-on-year (y-o-y) driven by the high utilisation rate of Mill 2500 after the modernisation.
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- Premium products sales dropped by 11.8% y-o-y due to a change in thick plate order mix at Mill 5000 and an increase in intragroup sales of cold-rolled products on the back of the reconstruction of reverse Cold-Rolling Mill 1700.
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- Production of coal concentrate remained flat year-on-year at 815 thousand tonnes.



MARKET OVERVIEW

Global steel products market: In Q1 2021, global prices continued to rise due to the undersupply in key regions. By late March, prices for flat products hit their record highs in the USA and the EU since 2008, and in Turkey since 2011. In March, the authorities of the Tangshan municipality, the largest steel production centre in China, presented a plan to reduce production at most local steel plants by the end of 2021. Fears of a decline in metal product supply have given a new impetus to price growth in both the Chinese domestic market and in exports.

Russian steel products market: Prices for flat products continued to grow in Q1 2021 fuelled by high global prices for metal products, fluctuations in the rouble exchange rate and higher raw materials prices. There has been a correction in the rebar market, following the growth in late Q4 2020. Closer to the end of Q1 2021, prices for rebars began to recover due to renewed growth in scrap prices and improved demand ahead of the construction season.

Global iron ore market: Average values of the 62% Fe iron ore index remained high in Q1 2021 (USD 165 – USD 170 per tonne CFR China). China's consumer demand for iron ore was low since the beginning of the year, with restrictions imposed in Tangshan in March further subduing demand for the raw materials and minimising the risks of physical shortages of iron ore in China in 2021.

Russian iron ore market: In the first quarter, demand for raw materials was quite strong both in the domestic and in key export markets. Since Q4 2020, iron ore exports from Russia to Europe and Turkey have been growing, with the rapid increase in prices in these markets further contributing to soaring prices for Russian consumers.

Global coking coal market: The global market remained volatile in the first quarter due to China's ongoing ban on coal imports from Australia. Prices for alternative supplies to China consolidated around USD 200 – USD 220 per tonne, while prices for Australian imports returned to USD 110 – USD 120 per tonne FOB amid the ongoing glut in available raw materials. The likelihood that the ban will be lifted soon is no longer assessed as high by market players.

Russian coking coal market: Prices in the Russian market grew by more than 50% in Q1 2021. This strong rise was driven by the low base effect of former prices. There are no any drivers for price changes for coking coal on the Russian market, which could lead to significant price fluctuations in Russia before the end of 2021.

Russian metal scrap market: Scrap prices in the Russian market peaked in early 2021, but then declined due to the introduction of an increased duty on scrap exports from Russia. However, this decline was short-lived, with seasonality and high prices for metal products preventing scrap prices from falling significantly.



MMK GROUP'S CONSOLIDATED RESULTS

thousand tonnes	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Crude steel production	3,300	3,312	- 0.4	3,300	3,022	9.2
Pig iron production	2,572	2,521	2.0	2,572	2,355	9.2
Coal concentrate production	815	837	- 2.6	815	814	0.2
Iron ore production	631	638	- 1.0	631	658	- 4.0
Finished products sales, including:	2,904	3,045	- 4.6	2,904	2,745	5.8
Slabs and billets	53	0	-	53	0	-
Long products	268	297	- 9.8	268	357	- 24.7
Flat hot-rolled products	1,428	1,404	1.7	1,428	1,080	32.2
Premium products, including:	1,154	1,343	- 14.1	1,154	1,308	- 11.8
Thick plate (Mill 5000)	165	202	- 18.3	165	231	- 28.6
Flat cold-rolled products	184	226	- 18.4	184	245	- 24.7
Downstream products, including:	805	916	- 12.1	805	833	- 3.4
Tinplate	43	38	14.9	43	42	4.1
Galvanised steel	439	460	- 4.6	439	443	- 1.1
Polymer-coated steel	150	200	- 24.8	150	140	7.3
Band	35	42	- 15.2	35	32	11.4
Formed section	26	36	- 28.0	26	44	- 41.9
Pipe	12	24	- 48.4	12	13	- 3.3
Metalware	97	111	- 12.2	97	108	- 9.8
Other metal products	2	6	- 72.0	2	11	- 84.8
Share of premium products	39.7%	44.1%		39.7%	47.7%	



CONSOLIDATED PRICES FOR METAL PRODUCTS

USD/tonne	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Average price per tonne:	713	575	24.0	713	591	20.6
Slabs and billets	568	-	-	568	-	-
Long products	633	493	28.4	633	497	27.4
Flat hot-rolled products	638	514	24.1	638	520	22.7
Premium products, including:	832	657	26.6	832	675	23.3
Thick plate (Mill 5000)	667	593	12.5	667	688	- 3.1
Flat cold-rolled products	731	573	27.6	731	602	21.4
Downstream products, including:	889	691	28.7	889	692	28.5
Tinplate	736	672	9.5	736	773	- 4.8
Galvanised steel	853	659	29.4	853	651	31.0
Polymer-coated steel	1,121	852	31.6	1,121	827	35.6
Band	798	600	33.0	798	663	20.4
Formed section	863	621	39.0	863	760	13.6
Pipe	706	538	31.2	706	555	27.2
Metalware	820	627	30.8	820	659	24.4
Other metal products	1,100	777	41.6	1,100	692	59.0

+ 24.0% q-o-q

AVERAGE SELLING PRICE

Average selling prices for Q1 2021 grew by 24.0% q-o-q in Q1 2021 to USD 713 per tonne, driven by a significant increase in global prices for metal products amid global supply constraints. Prices grew by 20.6% y-o-y driven by favourable pricing conditions in the global steel markets.



MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

thousand tonnes	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Crude steel production	3,300	3,312	- 0.4	3,300	3,022	9.2
Pig iron production	2,572	2,521	2.0	2,572	2,355	9.2
Finished products sales, including:	2,853	2,933	- 2.7	2,853	2,597	9.8
Slabs and billets	53	0	-	53	0	-
Long products	268	297	- 9.8	268	357	- 24.7
Flat hot-rolled products	1,570	1,505	4.3	1,570	1,095	43.3
Premium products, including:	961	1,131	- 15.0	961	1,145	- 16.1
Thick plate (Mill 5000)	165	202	- 18.3	165	231	- 28.6
Flat cold-rolled products	184	226	- 18.4	184	245	- 24.7
Downstream products, including:	612	703	- 13.0	612	670	- 8.6
Tinplate	43	38	14.9	43	42	4.1
Galvanised steel	270	298	- 9.1	270	311	- 13.1
Polymer-coated steel	126	150	- 16.1	126	109	15.3
Band	35	42	- 15.2	35	32	11.4
Formed section	26	36	- 28.0	26	44	- 41.9
Pipe	12	24	- 48.4	12	13	- 3.3
Metalware	97	111	- 12.2	97	108	- 9.8
Other metal products	2	6	- 72.1	2	11	- 85.1
Share of premium products	33.7%	38.5%		33.7%	44.1%	

- 2.7% q-o-q

SALES OF FINISHED PRODUCTS

Sales of finished steel products in Q1 2021 decreased by 2.7% q-o-q to 2,853 thousand tonnes mainly due to the build-up of metal products inventories ahead of the construction season. The 9.8% y-o-y increase in sales was due to the completion of modernisation of Hot-Rolling Mill 2500.

- 9.8% q-o-q

SALES OF LONG PRODUCTS

Sales of long products in Q1 2021 were down by 9.8% q-o-q to 268 thousand tonnes due to the restocking ahead of the construction season. Sales declined by 24.7% y-o-y driven by the scheduled repairs to rolling equipment and an increase in inventories ahead of the construction season.

+ 4.3% q-o-q

SALES OF HOT-ROLLED PRODUCTS

In Q1 2021, sales of hot-rolled products grew by 4.3% q-o-q to 1,570 thousand tonnes as a result of the growing export sales supported by favourable situation on global markets. The 43.3% y-o-y



- 15.0% q-o-q

SALES OF PREMIUM PRODUCTS

- 18.3% q-o-q

SALES OF MILL 5000 PRODUCTS

- 18.4% q-o-q

SALES OF COLD-ROLLED PRODUCTS

+ 14.9% q-o-q

SALES OF TINPLATE

- 9.1% q-o-q

SALES OF GALVANISED STEEL

- 16.1% q-o-q

SALES OF POLYMER-COATED STEEL

increase in sales was driven by the production growth at Hot-Rolling Mill 2500 after its modernisation.

Sales of premium products in Q1 2021 decreased by 15.0% to 961 thousand tonnes due to the restocking ahead of the construction season and an increased share of export sales of thick plates from Mill 5000 with longer selling periods. The share of sales of premium products in the portfolio was 33.7%. Sales decreased by 16.1% y-o-y, reflecting the change in order mix for Mill 5000 thick plates and higher intragroup sales of cold-rolled products amid the reconstruction of the reverse Cold-Rolling Mill 1700.

Mill 5000 sales decreased by 18.3% q-o-q to 165 thousand tonnes due to an increase in the share of export orders with longer selling periods. The 28.6% y-o-y decrease in sales was caused by a change in the order mix.

Sales of cold-rolled products in Q1 2021 were down by 18.4% q-o-q to 184 thousand tonnes, due to an increase in intragroup sales. The 24.7% y-o-y decrease in sales was due to an increase in intragroup sales and the reconstruction of the reverse Cold-Rolling Mill 1700.

The increase in tinplate sales in Q1 2021 by 14.9% to 43 thousand tonnes was due to the completion of scheduled equipment repairs. The 4.1% y-o-y increase in tinplate sales reflects higher equipment performance driven by the changes in order mix.

Sales of galvanised steel in Q1 2021 decreased by 9.1% q-o-q to 270 thousand tonnes, driven by the build-up of inventories in the distribution network ahead of the construction season. Sales of galvanised steel were down by 13.1% y-o-y.

Sales of coated steel in Q1 2021 decreased by 16.1% q-o-q to 126 thousand tonnes due to pre-season build-up of inventories and a more attractive pricing environment for galvanised steel. Sales were up 15.3% y-o-y, reflecting the low 2020 base amid the spread of the pandemic.



STEEL SEGMENT TURKEY

thousand tonnes	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Finished products sales, including:	196	220	- 10.9	196	167	17.0
Flat hot-rolled products	3	7	- 58.9	3	4	- 31.5
Premium products, including:	193	213	- 9.3	193	163	18.2
Flat cold-rolled products	-	-	-	-	-	-
Downstream products, including:	193	213	- 9.3	193	163	18.2
Galvanised steel	168	163	3.5	168	132	27.4
Polymer-coated steel	25	50	- 50.8	25	31	- 20.8
Share of premium products	98.5%	96.8%		98.5%	97.5%	
Intersegment sales from Steel segment Russia	145	108	34.8	145	19	648.5

- 10.9% q-o-q

SALES OF FINISHED PRODUCTS

The sales of finished products in the Turkish steel segment in Q1 2021 decreased by 10.9% q-o-q to 196 thousand tonnes, reflecting the shortage of semi-finished hot-rolled stock amid unscheduled repairs by key third-party contractors and challenging weather conditions in Russia and in Turkey in the first quarter, which increased the delivery time of sea cargo.

A 17.0% y-o-y increase in sales reflects a low 2020 base amid the spread of the pandemic and lockdown restrictions.

COAL MINING SEGMENT

thousand tonnes	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Coking coal mining	1,282	1,246	2.9	1,282	1,238	3.6
Coking coal processing	1,356	1,404	- 3.4	1,356	1,442	- 5.9
Mined	1,177	1,208	- 2.6	1,177	1,358	- 13.3
Purchased	114	159	- 28.2	114	84	35.1
Toll	65	37	74.7	65	-	-
Coking coal concentrate	815	837	- 2.6	815	814	0.2

+ 2.9% q-o-q

COKING COAL PRODUCTION

Coking coal production in Q1 2021 increased by 2.9% q-o-q to 1,282 thousand tonnes. Coking coal production increased by 3.6% y-o-y due to the absence challenging mining and geological conditions at the Chertinskaya-Koksovaya mine.



- 2.6% q-o-q

COKING COAL CONCENTRATE
PRODUCTION

Coking coal concentrate production in Q1 2021 decreased by 2.6% q-o-q due to convention loading restrictions and preparation of faces for re-mounting. The output of coal concentrate remained flat year-on-year.

MMK GROUP'S SUSTAINABILITY PERFORMANCE (ESG)

HIGHLIGHTS

- On 21 January 2021, BSI issued a report confirming the reliability of MMK's statement on its greenhouse gas emissions. This is the first BSI verification among Russian and other CIS companies to the latest version of ISO 14064-1:2018.
- In March 2021, the ISS international rating agency changed its ESG Corporate Rating outlook for MMK from "D+" to "C". The rating upgrade reflects the Group's continued strong performance and commitment to UN corporate responsibility and sustainability initiatives.

	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
LTIFR	1.20	0.53	126.4	1.20	1.09	10.1
Gross air emissions, thousand tonnes	47.5	50.5	- 5.9	47.5	42.8	11.0
Specific air emissions, kg/tonne	14.4	15.2	- 5.3	14.4	14.2	1.4

+ 10.1% y-o-y

LTIFR

The LTIFR for Q1 2021 increased by 10.1% y-o-y to 1.20, reflecting the increased number of accidents on the back of adverse weather conditions (icy conditions of roads). The Group continues to implement initiatives to address the root causes of accidents and improve the production safety culture.

+ 1.4% y-o-y

SPECIFIC AIR EMISSIONS

Specific air emissions in Q1 2021 increased by 1.4% y-o-y to 14.4 kg per tonne due to an increase in air emissions from power facilities as a result of the colder winter period of 2021.

In Q4 2020, specific air emissions decreased by 5.3% q-o-q to 14.4 kg per tonne driven by the implementation of measures to decrease dust emissions.



OUTLOOK

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- The favourable conditions in global markets coupled with seasonal growth in demand in Russia will positively impact the Group's sales in Q2 2021. In May 2021, the reverse Cold-Rolling Mill 1700 is expected to be commissioned, which, given our 100% utilisation of premium products, will positively impact the structure of the Group's sales portfolio.
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- The beginning of the construction season in Russia and positive dynamics of global prices for metal products amid the continued shortages in foreign markets will support the growth of prices for MMK Group's metal products in Q2 2021.
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- CAPEX for Q2 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 Q2 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 15.7%.

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KEY UPCOMING EVENTS IN 2021

FINANCIAL CALENDAR

13–14 April	Wood EM Energy & Commodities Virtual Conference
21 April	Q1 2021 financials
27 April	Integrated Annual Report 2020
27–28 April	Non-deal roadshow (NDR), online